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CALCUTTA
SUPERINTENDENT GOVERNMENT PRINTING, INDIA
1923

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Vol. II.

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1923

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51	Richardson, Mr. E . .	Of the Hooghly Ink Co., Ltd., Calcutta.	5th Jan. 22	305	7522—7560	305	7513—7521
52	Gyanchand, Prof. . .	Hindu University, Benares .	5th Jan. 22	311	7576(*a*)—7781	307	7561—7576
53	Parsons, Mr., Sawday, Mr., Charteris, Mr.	Metallurgical Association, Calcutta.	6th Jan. 22	325	7849—8116	318	7782—7848
54	Craven, Mr. Alfred . .	Of the Indian Standard Wagon Co., Ltd.	6th Jan. 22	337	8135—8263	336	8117—8134
55	Smyth, Mr. F. W. . .	Calcutta	6th Jan. 22	342	8265—8319	342	8264
56	Jha, Babu Shiva Shankar .	M. L. C. and President, Bihar Provincial Kisan Conference.	9th Jan. 22	345	8353—8458	344	8320—8352
57	Mousell, Mr. L. C. . .	Of Calcutta Hides and Skins Shippers' Association.	9th Jan. 22	350	8460—8588	349	8459
58	Collins, Mr. B. A. . .	Director of Industries, B. & O., Patna.	9th Jan. 22	356	8590—8745	354	8589
59	Skinner, Mr.	Representative of the Indian Engineering Association, Calcutta.	9th Jan. 22	363	8762—8818	362	8746—8761
60	Elmore, Mr. Frank . .	Representative of the British Commonwealth Union, Westminster.	10th Jan. 22	365	8820—8932	365	8819
61	Lloyd, Mr. A. H . .	Collector of Customs, Calcutta.	10th Jan. 22	371	8951—9053	370	8933—8950
62	Barua, the Hon'ble Rai Bahadur Ghaneshyam.	Minister-in-Charge of Local Self Government and Industries, Assam.	10th Jan. 22	376	9080—9223	375	9054—9079
63	Willson, Mr. W. S. J. . .	Of Messrs. Turner, Morrison & Co.	10th Jan. 22	382	9249—9452	381	9224—9248
64	Carey, Mr. W. L. . . .	Of Heilgers & Co., Managing Agents, Titaghur Paper Mills.	11th Jan. 22	392	9455—9691	388	9453
64	Carr, Mr. H. W. . . .	Of Balmer Lawrie & Co., Managing Agents, The Bengal Paper Mills Co.	11th Jan. 22	392	9455—9691	391	9454
65	Pearson, Mr. R. S. . .	Forest Research Institute, Dehra Dun.	11th Jan. 22	401	9692—9726	...	
66	Ghosh, Mr. Srecali and Mittra, Mr. J C.	Representatives of the Bengal National Chamber of Commerce.	12th Jan. 22	405	9765—9998	403	9727—9764
67	McGee, Mr.	Chairman, the Motor Trades Association.	12th Jan. 22	413	10006—10108	412	9999—10005
68	Khaitan, Mr.	Representative of National Liberal League, Calcutta.	12th Jan. 22	425	10201—10519	416	10109—10145
69	Khaitan, Mr.	Representative of Marwari Association, Calcutta.	12th Jan. 22	425	10201—10519	419	10146—10200
70	Smyth, Sir Robert Watson .	Bengal Chamber of Commerce.	13th Jan. 22	439	10528—10639	437	10520—10527
71	Mitra, Mr. Sailendra Nath .	Managing Proprietor, Bande Mataram Match Factory.	13th Jan. 22	444	10655—10781	443	10640—10654
72	Dass, Mr. B. M.	Superintendent, Calcutta Research Tannery.	13th Jan. 22	448	10800—10951	447	10782—10799
73	Hooper, Mr. C. F. . .	Representative of the Calcutta Trades Association.	13th Jan. 22	454	10986—11113	453	10952—10985

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74	Hamilton, Prof. C. J. . .	Professor of Economics, Patna College.	16th Jan. 22	462	11123—11435	458	11114—11122
75	Hubback, Mr. J. A. . .	Secretary to the Government of B. & O., Revenue Department.	16th Jan. 22	481	11454—11519	480	11436—11453
76	McKenzie, Mr. D. P. . .	Representative of the Indian Jute Mills Association.	11th Jan. 22	490	11537—11710	484	11520—11536
77	Datta, Dr. R. L. . .	Industrial Chemist, Department of Industries, Bengal.	17th Jan. 22	499	11724—11796	495	11711—11723
78	Alcock, Mr. W. J. . .	Consulting Chemical Engineer, Calcutta.	17th Jan. 22	502	11807—11881	501	11797—11806
79	Stuart, Mr. . . .	Representative of Messrs. Balmer Lawrie & Co., Calcutta.	17th Jan. 22	505	11883—11948	504	11882
80	Crawford, Mr. T. C. . .	Chairman, Indian Tea Association, Calcutta.	18th Jan. 22	508	11956—12093	507	11949—11955
81	Sircar, Sir Nilratan . .	Representative of the Indian Association and the Industries Board of the Government of Bengal.	18th Jan. 22	516	12141—12280	512	12094—12104
81	Ghosh, Mr. S. C. . .	Representative of the Indian Association of Calcutta.	18th Jan. 22	516	12141—12280	515	12105—12140
82	Ghosh, Mr. S. C. . .	Lansdowne Road, Calcutta .	18th Jan. 22	522	12299—12344	521	12281—12298
83	Phillipson, Mr. A. .	Deputy Commissioner, Jorhat (Assam).	18th Jan. 22	536	12364—12498	534	12345—12363
84	Roy, Mr.	Secretary, Bengal Mahajan Sabha.	18th Jan. 22	543	12508—12555	541	12499—12507
85	Davenport, Mr. A. L. . .	Representative of Surma Valley Saw Mills, Ltd., and Assam Saw Mills and Timber Company, Ltd.	19th Jan. 22	546	12558—12660	545	12556
85	Bennett, Mr. . . .	Representative of Buxa Timber and Trading Co., Ltd.	19th Jan. 22	546	12558—12660	546	12557
86	Hooper, Mr. . . .	Representative of Bengal Master Spinners' Association, Calcutta.	19th Jan. 22	551	12662—12703	550	12661
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88	Joseph, Mr. A. V. . .	Of Messrs. A. V. Joseph & Co.	24th Jan. 22	555	12785—12929	554	12772—12784
89	Hardy, Mr. G. S. . .	Chief Collector of Customs, Burma.	24th Jan. 22	559	12939—13080	558	12930—12938
90	Richie, Mr. A. B., Hogg, Mr. John, Michie, Mr. J. K.	Of the Burma Chamber of Commerce.	25th Jan. 22	565	13120—13386	564	13081—13119
91	Britton, Mr. C. . . .	Managing Director, Fabricius & Co., Ltd.	25th Jan. 22	575	13388—13477	574	13387
92	Mackenna, Mr. J. . .	Development Commissioner, Burma.	26th Jan 22	580	13501—13642	578	13478—13500

List of questions for witnesses giving written evidence for the Indian Fiscal Commission.

EXPLANATORY NOTE.

The following questions have been framed with a view to indicating the main aspects of the enquiry to be undertaken by the Fiscal Commission, so far as the President and those Members of the Commission whom he has been able to consult can at present judge of them. Sections A. and B. are intended to cover the general problems which will arise for consideration in determining the future direction of fiscal policy and in deciding whether India should adopt a policy of Imperial Preference. The remaining sections contain questions designed to elicit not only the opinions but the definite experience of those engaged in the various branches of industry and commerce. In the case of answers to these questions the Commission will naturally attach special importance to conclusions resting on a solid foundation of facts and figures.

2. It is not intended that those who are engaged in industry and commerce should confine themselves to the special sections dealing with their particular business. On the contrary, there are many questions in Sections A. and B. which require for their adequate consideration an intimate acquaintance with business conditions, and it is hoped that those who have such special knowledge will give the Commission the benefit of their general views on the important and difficult problems that arise.

3. As explained above, the questions are designed to cover the whole field of the enquiry, so far as it can be outlined at this stage. It is not therefore expected that each witness should attempt to answer all the questions. If a witness wishes to give his views on any points relevant to the enquiry which have not been included in the questionnaire, it would be convenient that such points should be dealt with in a supplementary statement.

4. The Commission is inviting either directly or through Local Governments various associations and individuals to forward in writing their replies to the questionnaire. The Commission will also be glad to receive replies from any associations or individuals not so invited who may wish to represent their views. Copies of the questionnaire can be obtained from the Secretary, Indian Fiscal Commission, Simla, on application.

5. The Commission assembles in the first half of November and the early receipt of written replies to the questions would greatly facilitate its work. After perusal of the replies the Commission will select certain witnesses for oral examination. To give adequate time for this, it is requested that replies may be despatched so as to arrive at least three weeks before the date on which the witness is likely to be examined. The provisional programme of the tour of the Commission indicating the approximate dates on which oral evidence will be taken at each centre is as follows :—

Assemble	Bombay			early in November 1921. No evidence will be taken at Bombay at this time.
Depart	Bombay		24th	November.
Arrive	Karachi		26th	„
Depart	„		2nd	December.
Arrive	Lahore		3rd	„
Depart	„		9th	„
Arrive	Delhi		10th	„ } Delhi evidence will be taken at this time
Depart	„		15th	„ } and not in March.
Arrive	Cawnpore		16th	„
Depart	„		21st	„
Reassemble	Calcutta		5th	January 1922.
Depart	„		20th	„
Arrive	Rangoon		23rd	„
Depart	„		27th	„
Arrive	Madras		30th	„
Depart	„		7th	February.
Reassemble	Bombay		20th	„
Depart	„		6th	March.
Arrive	Delhi		8th	„

6. Replies and all communications should be addressed to the Secretary, Indian Fiscal Commission, Simla, up to the 31st October 1921. Thereafter they should be addressed to the Secretary, Indian Fiscal Commission, Camp, without the addition of the name of any post town.

QUESTIONS FOR WITNESSES.

A.—General.

The existing Indian import tariff is based primarily on revenue considerations. But it has been modified with a view to admitting free or at the favourable rate of 2½ per cent. articles the cheap import of which was considered desirable in the interests of the country. Thus certain raw materials, manures, agricultural implements, dairy appliances and cotton yarn are admitted free. Machinery, iron and steel and railway plant and rolling stock pay only 2½ per cent. *ad valorem*. The general rate, under which come the bulk of imports, is 11 per cent. *ad valorem*, while certain articles such as motor cars, jewellery and silk goods have been specially subjected from revenue considerations to a duty of 20 per cent. Sugar is charged at a special rate of 15 per cent. and high duties are imposed for revenue purposes on tobacco and liquors. An excise duty at the rate of 3½ per cent. is levied on all woven cotton goods manufactured in power mills in British India.

Export duties imposed for revenue purposes are at present levied on raw and manufactured jute, rice and tea. In 1919 an export duty was also imposed on raw hides and skins, with a rebate of ¾ of the duty on hides and skins exported to any part of the Empire. The object of the duty was partly to foster the Indian tanning industry and partly to maintain a key industry within the Empire.

A Revenue Tariff.

1. Do you generally favour a policy of free trade or protection? If the former, have you any objection to the imposition of customs duties for the purpose of obtaining revenue?

2. Do you consider that a tariff provides a more or a less suitable form of taxation for India than direct taxation? If fresh taxation were necessary would you prefer an increase in customs to an increase in direct taxation?

3. If you accept the principle of imposing a tariff for revenue purposes would you suggest any change in the list of articles taxed or in the rate of taxation?

4. Do you consider that the tariff should continue to be based on existing principles? If so, please explain your views as to the advantages of this policy.

5. What effect do you consider the existing tariff policy has had on Indian industries in the past, and what effects on Indian industries would you anticipate from a continuance of this policy in the future?

6. When a duty is imposed on an article imported from abroad do you approve in theory or in practice of imposing an excise duty on the same article manufactured in India?

7. If you favour the imposition of excise duties is it on the ground that no protection of any kind should be afforded to the home manufacturer as against the foreign manufacturer?

8. Can such duties be imposed without raising the price to the consumer?

A Protective Tariff.

9. Do you consider that the tariff should be framed primarily with the object of fostering Indian industries? If so, please explain the advantages anticipated.

10. Do you look forward to India becoming in time independent of other countries in regard to all her requirements of manufactured goods, or do you consider that there are certain manufactured goods for which she is always likely to be dependent on other countries? If you hold the latter view can you furnish a list of articles for which India will have to depend on other countries?

11. Would you, for the purpose of developing Indian industries, favour the imposition of protective duties on all imported manufactures or only on some?

12. If you favour the protection of some industries only, which would you select for protection and on what principles?

13. Do you consider it desirable to establish new industries by protection? If so, on what principles would you select them?

14. Would you confine protection to industries which are likely after a period to be able to face foreign competition without such assistance, or would you contemplate the establishment of industries which would be likely to require continuous assistance?

15. Would you grant special protection against foreign goods favoured by such measures as dumping, bounties, subsidies or transport concessions? If so, what means would you suggest for ascertaining the exact facts and what measures would you advocate to afford the necessary protection?

16. What is your attitude towards hand industries and in particular towards the cotton handloom industry? Do you wish them to be maintained or not?

17. Is there any danger in India of protection leading to combination among the protected manufacturers in order to maintain a quasi-monopoly price? If so, what safeguards would you suggest to counteract the effect of such a combination?

18. Do you think that, if a protective policy is adopted, it is likely that British or foreign industrial firms will endeavour to establish themselves in India in order to get the benefit of the protective tariff? If so, what would be your attitude towards such a movement?

19. In countries under a protective system it sometimes happens that producers of raw material ask for protection, while manufacturers who use the raw material oppose them, wishing to get their raw material as cheaply as possible. In the same way a demand of the spinning industry for protection is sometimes opposed by the weaving industry whose interest lies in cheap yarn. Do you think that conflicts of interest of this nature would be likely to arise in India and that if they did arise there would be any difficulty in adjusting them?

Effect of Protection on prices and on the consumer.

20. When an import duty is imposed, do you consider that ordinarily the whole or any part of it is passed on to the consumer in a rise of price?

21. If a protective duty causes a rise in price, is that rise likely to be permanent or not?

22. Would you be willing to accept an increase in price to the Indian consumer for the sake of developing Indian industries?

23. In considering the above question would you have regard to the point whether the protected article was a necessary of life? If so, what articles would you class as necessaries?

24. If you hold that an increase in the tariff rates would tend to increase the cost of living in India do you think the increased cost would be covered wholly or in part by a rise in wages or salary for—

(*a*) the industrial wage earner,
(*b*) the agricultural wage earner,
(*c*) the middle classes.

Effect of Protection on Foreign Trade.

25. What effect do you consider a policy of protection would have on the foreign trade of India and on the general commercial position and prospects of the country?

Use of Tariff for bargaining.

26. Do you consider that the existence of a tariff which could be used as an instrument for bargaining with other countries would be advantageous to India?

27. If so, would you recommend the adoption of general and special tariffs, the special being applied to countries from which India receives favourable treatment?

28. If the tariff is to be used in this way, would it be necessary to make it more detailed than it is at present?

Organisation for investigating the claims of Industries.

29. If a policy of protection were adopted would you recommend any kind of permanent organization for investigating the claims of various industries to protection from time to time and for the periodical readjustment of tariff rates?

Export duties.

30. What is your view of the proper function of export duties? Do you think that they should be imposed only for the purpose of raising revenue or do you think that they may be utilised for other purposes also?

31. What do you consider generally is the effect of export duties on the export trade? Can they in certain circumstances be imposed without injury to the trade? If so, in the case of what trades in India could this be done, and to what extent?

32. Would you consider it advisable to impose an export duty on a raw material in order to encourage its retention in India either for purposes of manufacture or for any other purpose? If so, please examine instances in which you would recommend such action and consider whether it would have any effect on the producers of the raw material and the amount they would produce.

33. Do you consider that it would be of advantage to India to impose an export duty on foodstuffs with a view to controlling their export and thereby lowering Indian prices and the cost of living? What effect do you consider such action would be likely to have on the agricultural interests and on the quantity of foodstuffs produced in India?

34. Would you consider it advisable to impose an export duty on a raw material in retaliation for an import duty imposed by a foreign country on the manufactured article? If so, please examine cases in which you would recommend such action.

B.—Imperial Preference.

At present reduced duties are levied by Canada, Australia, South A
of articles imported from the United Kingdom. In Canada, Australia and New Zealand the preferential duties are usually about ⅔ of the full duty, though the fraction varies considerably both above and below this figure. The South African preference is a small one and is usually only a rebate of 3 per cent. *ad valorem*.

The United Kingdom has recently established preferential rates which are granted to the whole Empire on nearly all articles on which import duties are levied in the United Kingdom. The preferential rate is as a rule either ⅚ or ⅔ of the full rate.

A number of the smaller colonies grant preferential rates to the United Kingdom, and there are also various agreements between different parts of the Empire for mutual preference.

The countries which at present levy a lower rate of duty on certain goods imported from India as compared with the general duty levied on imports from foreign countries are the United Kingdom, Canada and New Zealand.

The articles of interest to India on which such lower duties are levied in the United Kingdom are tea, coffee and tobacco. These are all charged ⅚ of the full rate. In the case of Canada the only Indian imports of any account are tea, jute cloth and raw hides. There is no duty on raw hides or jute cloth. On Indian tea the rate is 7 cents per lb. as against the rate of 10 cents on tea imported from countries outside the Empire. New Zealand imports from India a small quantity of tea which pays 3*d*. per lb. as against the rate of 5*d*. charged on tea imported from outside the Empire, and a small quantity of candles which are charged 1½*d*. per lb. instead of 2½*d*. Other imports from India into New Zealand are for the most part either free or receive no special treatment.

35. Are you on general grounds favourable to the idea of Imperial Preference? If so, do you think that India would be justified in risking any appreciable economic loss for the sake of Imperial Preference?

36. Would you differentiate between the policy to be adopted towards the United Kingdom and towards other parts of the Empire?

37. Do you anticipate any material loss or gain to India from a system of Imperial Preference? In particular, do you apprehend any likelihood of retaliation by foreign countries against India?

38. If you are in favour of preference, can you give a list of articles imported into India and exported from India to which the policy of preference might be applied? What would you consider a reasonable average rate of preference?

39. What principles would you apply in selecting articles to which preference might be given on import into India? Would you give preference in the case of goods which India hopes in time to manufacture mainly or entirely for herself, or only in the case of goods for which India is likely to have to depend on other countries?

40. If preference were given by raising the import duties on goods coming from foreign countries, the existing rates being maintained for British goods, do you anticipate that this would raise the price to the consumer or not?

41. Do you think that a system of Imperial Preference is likely to increase or diminish the total volume of Indian imports or exports, or to alter appreciably the proportion between them and thus affect the balance of trade?

42. Do you consider that the partial or complete diversion of trade from foreign countries which might result from Imperial Preference would have any effect on India's general trade position?

C.—Manufactures.

43. Are you interested in any industry and if so, in what capacity?

44. Do you consider that there are natural advantages for the industry in India? If so, please enumerate them.

45. Do you consider that the industry is essential to the national security or of substantial importance to the economic prosperity of India?

46. What is the state of organization and equipment of the industry in India as compared with that in other countries?

47. On what markets does the industry depend for the sale of its output?

48. What foreign competition (including for this purpose competition from the United Kingdom or other parts of the Empire) does the industry have to meet—

(*a*) in the Indian market;

(*b*) elsewhere?

Does this competition extend to all or only to particular classes of goods, and does it vary with different classes of goods?

49. Apart from questions of organization and equipment are there any special circumstances, natural or artificial, which give the competing country an advantage?

50. Do you think that the industry needs protection? If so, what rate of duty do you consider it is necessary to impose? Please give in detail the facts and figures on which you base your conclusions.

51. Do you think it likely that if protection is granted, the industry will eventually reach a level of development which would enable it to face foreign competition without the aid of protection, or do you think the industry will always remain to a greater or less degree in need of protection?

52. Does the industry ever suffer from dumping? If so, do you wish to suggest any remedy?

53. Is competition from other countries accentuated by depressed exchanges in those countries?

54. If so, is this phenomenon likely to be temporary?

55. Do you consider that any remedy is required? If so, what would you suggest?

56. Has the industry received any benefit from the successive enhancements of the tariff beginning in 1916? Can you describe the effects, so far as yet apparent?

57. Do you think the industry has suffered in any way from export duties? If so, please give in detail the facts and figures from which this conclusion is drawn.

58. Is the finished product of the industry used as the raw material for any other industry? If so, to what extent?

59. Does the industry use as its raw material the finished product of any other industry which is established or is likely to be established in India?

60. Would you prefer a system under which all industries would receive a more or less uniform protection, or one under which industries receive varying amounts of protection in accordance with their needs?

D.—Export Trade.

N.B.—These questions are intended not only for actual exporters, but also for those who produce for export.

61. What articles do you export and to what countries?

62. Are you interested in any of the articles on which export duties are levied? If so, what do you consider has been the effect of these duties?

63. Do you recommend the increase, reduction or abolition of any of the existing export duties?

64. Is the Indian export trade in any way hampered by high import duties imposed in certain countries? If so, do you consider any action feasible or desirable?

65. Do you think the export of any articles in which you deal would be stimulated by a preferential rate granted by the United Kingdom or any of the Dominions or Colonies? If so, what would you consider the minimum rate of preference for each article which would exercise an appreciable effect?

66. Do you consider that the lower duties at present levied on certain imports from India into the United Kingdom or Canada or New Zealand, as compared with the general duty levied on imports from countries outside the Empire, have had or are likely to have any beneficial effects on the Indian trade in those articles?

67. Do you think that any foreign country whose trade might suffer by a system of Imperial Preference would be able without injury to itself, or would be likely even at the cost of injury to itself, to penalise the Indian export trade to that country? If so, what are the Indian exports that might suffer?

68. If owing to a system of Imperial Preference the imports from certain foreign countries diminished, do you consider that this would tend to have any effect on the volume of Indian exports to those countries?

69. If so, would there be an alternative outlet for these exports, without economic disadvantage, within the British Empire or in other foreign countries?

E.—Import Trade.

70. What articles do you import and from what countries?

71. Have you observed any effects on your trade in particular articles from the year 1916 up to date, which can be ascribed in part or in whole to the changes in the rates of import duty?

72. Do you consider that an appreciable increase in the present tariff rates would seriously diminish the volume of imports? Can you give instances of any important commodities in which such a result is likely to occur?

73. What would you expect to be the effect on the import trade of a preference given to British goods—

(*a*) if the preference were given by maintaining the existing rate for foreign goods and reducing it for British goods;

(*b*) if the preference were given by maintaining the existing rate for British goods and enhancing it for foreign goods; and

(*c*) if the preference were given by a combination of (*a*) and (*b*), *i.e.*, raising the rate for foreign goods and reducing it for British goods?

74. If Imperial Preference were introduced would you recommend that the same preference on the same goods should be granted to all constituent parts of the Empire, or would you treat each part of the Empire separately, taking into account the question of what reciprocal benefits India would receive?

75. Do you think it likely that a system of Imperial Preference would diminish or increase the total import of any class of goods, or would it merely tend to alter the proportion in which that total is derived from foreign and British countries?

76. Would any undesirable results follow from diverting the source of Indian imports from foreign to British countries?

77. If you are favourable to Imperial Preference, to what articles would you be prepared to extend a preference if imported from the Empire or particular parts of the Empire, and what would you suggest as the amount of that preference?

78. Do you approve of the system of *ad valorem* customs duties, or would you prefer that the duty should be specific, *i.e.*, a fixed charge for a given weight or measure? If you prefer the latter system, what are your views on the necessity of readjusting the duties from time to time?

F.—Retail Trade.

79. What are the principal imported goods in which you deal?

80. To what extent can changes in the retail prices of imported goods from 1916 onwards be attributed to the increases in the import duties during that period? Can you give details of any such changes in retail prices with which you are familiar?

81. In the case of any important classes of imports can you give any figures showing to what extent demand diminishes as prices rise?

82. Have the increases in the tariff since 1916 affected your trade in any way?

83. What would you expect to be the effect on your trade if imports from the United Kingdom or from the whole Empire were taxed at existing rates while the duty on imports from foreign countries was raised?

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Witness No. 50.

The INDIAN MINING FEDERATION, Calcutta.

Written Statement, dated the 8th December, 1921.

7255. *Q.* 1. Speaking for India in her present stage of economic development the Committee consider that the balance of arguments is in favour of a policy of Protection for her. The marginal industrial development on attainment of which alone a country can be considered fit to reap the advantages of a free market is yet absent in India. Her self-sufficiency, moreover, in the supply of ordinary necessaries of life with probably one or two exceptions (a fact which is largely explained by the average low standard of life of the people) and her natural advantage as a producer of vast raw materials greatly reduce the economic evils attending a protectionist tariff.

7256. *Q.* 2. Yes it does, provided no duty is imposed on such necessaries as either cannot be produced at home at present or the capacity for whose production is at present inelastic. India's import trade consisting greatly of commodities other than necessaries, there is peculiar advantage for her to impose a customs duty on her imports subject to the reservation referred to above.

If a choice is to be made between an increase of customs and direct taxation, surely under the existing financial arrangement the former is more welcome. Of the two important sources of direct taxation, so far as the central revenue is concerned, salt is for obvious reasons unsuitable for further taxation and tax on income has already risen to enormous height in recent years.

7257. *Q.* 3. The following changes in the import tariff are suggested:—

Commodity.	*Rate suggested.*
(*i*) Motor cars, motor cycles, fire works and cinematograph films .	30 per cent.
(*ii*) Silk piece-goods, umbrellas, musical instruments	25 ,,
(*iii*) Provisions and oilman's stores	15 ,,
(*iv*) Fruit and vegetables .	12½ ,,
(*v*) Haberdashery, millinery, hosiery, jute and hemp manufacture .	15 ,,
	Rs.
(*vi*) Liquors tested per gallon	22
Liquors untested per gallon	28
(*vii*) Coal	2-8 per ton.

Cotton yarn above 30*s*. which is now on the free list may be taxed at a low rate of 2½ per cent., for revenue purposes.

These changes are proposed on the presumption that exchange will stabilise at the neighbourhood of 1*s*. 4*d*.

7258. *Q.* 4. No, it should not be entirely so based. The present Indian tariff is for all practical purposes a revenue tariff; the claims of Indian industries have not hitherto been sufficiently recognised in framing it. In the opinion of the Committee, the almost purely fiscal consideration under the present tariff policy of the Government should be made subservient to the cause of industrial development of the country.

7259. *Q.* 5. The existing tariff policy based on revenue considerations was not uniformally followed in the past. The years between 1875 to 1893, nearly a period of 20 years, was marked by a vigorous policy of the Government to make India a free market for international trade. The net result of this somewhat chequered tariff policy in the past has been that it has helped considerably to establish the market in India of a very large number of foreign goods. Two of the Indian industries, namely, cotton manufacture and saltpetre might have been appreciably benefited by the adoption of a protective instead of a free trade policy in the eighties of the last century.

If this policy of a revenue tariff is continued in future, India will miss an effective means of developing her productive power.

7260. *Q.* 6. Yes, *theoretically*, the Committee approve an excise duty so long as this does not raise the price of the home commodities above the price level of the foreign goods. Speaking for India, however, and as a matter of practice, they do not approve an excise duty corresponding to a custom. Having regard to the general shyness of India's capital and her limited industrial development, the additional profits of Indian manufacturers (which would result from the imposition of customs duty unaccompanied by excise) would tend to make more capital flow towards this industry and thus ultimately towards the industrial welfare of the country.

7261. *Q.* 7. No answer is necessary.

7262. *Q.* 8. No answer is necessary.

7263. *Q.* 9. Yes, the tariff ought to be framed with a view to fostering Indian industries. With her abundance of agricultural resources and mineral wealth and a fair supply of fuel, India stands in a position of natural advantage to develop her industries. This, however, she has hitherto failed to utilise and, at the present moment, her possible industries cannot thrive if the home market be thrown open for free and unrestricted competition of the foreign manufacture.

The advantages of a protective tariff will be—

(*i*) Greater capacity for producing wealth.
(*ii*) Wider scope for productive employment of land, labour, capital and skill.
(*iii*) Increased earning of each.
(*iv*) Increased agricultural prosperity owing to increased demand of raw materials.
(*v*) Elimination of changes of famine which exist at present owing to the very large majority of the population depending on agriculture.

7264. *Q.* 10. It is very difficult to risk any surmise on this point, particularly as the industrial possibilities of India in her many obscure parts have not been examined at all. For all practical purposes, it seems certain that India will yet take a fairly long time to be entirely self-contained as regards her requirements of machinery, railway plant, scientific and electrical instruments, motor cars and motor cycles.

7265. *Q.* 11. Only on some.

7266. *Q.* 12. Industries recommended for Protection are cotton, sugar, metallurgy, tanning, glass-making, saltpetre, wool and silk manufacture. In selecting for Protection, only those industries may be chosen which enjoy natural advantages in the country and which have already attained varying degrees of success.

7267. *Q.* 13. As a rule it is not desirable to do so. In India, however, one or two such attempts may be made on successful lines. Such industries which do not require highly technical skill and for which there

are natural advantages in India, may grow up in the country, if the foreign commodities are taxed at a high rate. The manufactured products of lac, for instance, may be so treated.

7268. *Q.* 14. Only to those which are likely to face foreign competition after a time.

7269. *Q.* 15. Certainly, the Committee would recommend such protection. As regards the means for ascertaining the exact position of such concessions and privileges enjoyed by a foreign industry, the Committee consider that no special effort in this direction is likely to be successful. It is only on the presumption based on the study of the peculiar competitive power of a foreign article that a policy of Protection has to be tentatively tried with regard to it. To safeguard Indian industries against the competition of such privileged foreign industries, a countervailing import duty may be imposed as was done on bounty-fed German sugar. A transport concession also provides an effective safeguard against foreign competition. A lower freight rate of coal, for example, from the coalfield to Bombay would infinitely secure the competitive power of Bengal Coal with African, Japanese and Welsh coal.

7270. *Q.* 16. The old Indian handicrafts have practically died in competition with foreign machine-made manufacture. Their decadence is inevitable to a certain extent with the growth of large scale industry. There is, however, scope for one or two hand industries, notably the cotton handloom, to survive as a subsidiary industry side by side with machine-made manufacture. So far as the process of decay is due to expansion of the power mill, the Committee do not consider that the same needs to or can be arrested.

7271. *Q.* 17. The prospect of such combinations is yet very distant. The industries that are likely to attempt such combination are not those which are proposed to be protected. Some apprehensions exist with regard to metallurgy, but even here the consideration of fostering the industry should at least for the present outweigh the evils of a problematic unhealthy development.

7272. *Q.* 18. Yes, it is very likely. Already the indications are forthcoming that foreign firms are trying to establish themselves in the country at the prospect of a protectionist policy being pursued by the Government. As a safeguard against the development of such a tendency, foreign firms carrying on business of protected manufacturing industries in India may be compelled to register in this country at a specially high rate of fee. However menacing the development of this tendency, it is difficult to see what precautionary measure beyond this can be taken.

7273. *Q.* 19. In India such a conflict of industries is not unlikely to arise. Such a hostility of claim, for instance, may arise with regard to foreign coal, between the Bengal coal mining industry and the Bombay mill-owner. No general solution of such a difficulty can be offered. Each case has to be decided on its own merit. As far as possible both the claims will have to be met, if legitimate.

7274. *Q.* 20. The question as to whether the whole or part of the duty will pass on to the consumer in a rise of prices, depends on the elasticity of the demand of the commodities taxed. Moreover, so far as the duty is covered by the higher price of home produce, it does not reflect itself in a rise of prices.

7275. *Q.* 21. No, it is not. If more capital would flow towards the protected industry, as it is likely to be the case when industries protected are few in number, competition brings down prices of the home produce and with it that of the foreign commodity.

7276. *Q.* 22. Yes; for that is the minimum price which a country must pay in order to develop her productive power. A protectionist tariff in India, however, would not bring about a serious rise of prices, all her necessaries with few exceptions being completely supplied in the country. The only case of possible hardship is probably afforded by the cotton manufacture, but in view of its bright prospect, it is just the industry which needs to be encouraged by Protection even at the expense of the consumers for a time.

7277. *Q.* 23. As in the opinion of the Committee only a policy of selective Protection is to be followed in India and as in the number of industries selected for Protection, only one *viz.*, cotton piece-goods, can be treated as a necessary, this question does not arise at all. With regard to cotton piece-goods, its claim to Protection has already been explained and need not be repeated here.

7278. *Q.* 24. Yes, a policy of Protection will tend to raise the cost of living to a certain extent.

(*a*) There is chance for the wage of the industrial labourer to adjust itself to the cost of living; more so in view of the increasing tendency that is now manifest for the better organization of industrial labour.

(*b*) and (*c*) For the agricultural wage-earners and the middle class, wages will take great time to adjust to the new level of prices and the adjustment is not even likely to be allowed until the disparity is very acute. Under the scheme of Protection proposed, it is unlikely that the cost of living will go up to an appreciable extent, so far as industrial and agricultural wage-earners are concerned. It is the middle class who are likely to be affected by the increased price of the protected commodities.

7279. *Q.* 25. The probable immediate effects of a protective tariff on India's foreign trade and her general commercial position will be——.

(*i*) A decline in imports.

(*ii*) A tendency for a similar decline in exports not due so much to a fall of imports as to an increased demand for raw material for home industries.

(*iii*) A tendency for capital now employed in foreign trade to shrink and probably to move towards industry and manufacture

7280. *Q.* 26. India's import trade consisting of 69·6 per cent. of manufactured goods and 8·8 per cent. of raw materials and her export trade consisting of 51 per cent. of raw materials and 35 per cent. of manufactured goods, she stands little to gain by a tariff bargaining. Of the total exported manufactures valued at 107 crores of rupees, a large percentage to the extent of 77 crores is due to jute and cotton manufactures—articles with regard to which India's position is so favourable as to obviate the necessity of any bargaining (figures taken from the returns of 1919-20, that being a more normal year than 1920-21). Unless the prospects of an Indian match industry demand otherwise, India may gain by bargaining her iron and steel with Japanese matches but the position of Japanese matches in the Indian market together with the fact that matches is an article of necessity make such a proposal practically unworkable.

7281. *Q.* 27. No answer necessary.

7282. *Q.* 28. No answer necessary.

7283. *Q.* 29. As in the Committee's opinion, Protection is to be given to chosen industries favourably circumstanced, such continuous reference and investigation will not be necessary as to require a special body to function in these matters. In view of the Answer to Question No. 19, however, it is essential that a representative body of various Indian industries be formed to jointly agree, as far as possible, to a scheme of Protection, in case a protective policy be recommended by the Commission.

7284. *Q.* 30. An export duty is mainly revenue-earning, but is not wholly so. In fact, a duty on raw materials exported should not at all be judged from a fiscal point of view. It provides an effective weapon to the State for bargaining for her imports, when necessary. An export duty may also be utilised to cheapen raw materials with a view to help a struggling industry or to discourage export except in a manufactured condition.

7285. *Q.* 31. Two classes of exports may, in this connection, be distinguished. When the commodity exported is the exclusive supply of the country or is such that she enjoys a position of great advantage with regard to it, an export duty is productive of revenue and is paid by the foreign importer. On the other hand, when the commodity exported is one whose world prices are determined by the supplies of other countries, an export duty is injurious to the trade and affects ultimately the producer as well. In the former category may be placed jute, oil seeds, lac, and in the latter, cotton, wheat, rice and hides and skins.

7286. *Q.* 32. Unless an industry is in a fair way to be built up, the retention of the raw materials in the country will serve no useful purpose. Oil-seeds however may be retained in the country for industrial

purposes. Hides and skins also may be similarly treated. The tanning industry is fairly developed and the adverse effect on price is not likely to diminish their supply.

7287. *Q.* 33. No, on the other hand when there is a tendency for a fall of price, attempts should be made to encourage export in order to tone up prices to normal level. India being an agricultural country, 72 per cent. of the population being directly or indirectly dependent on agriculture, a low price of foodstuffs is not to her advantage. Acute hardship, as a matter of fact, coincides with a period of low prices of foodstuffs. Though jute is an Indian monopoly, it is doubtful if a very high duty will not affect demand seriously.

7288. *Q.* 34. A retaliative export duty on raw materials when they cannot find an industrial use at home is injurious.

7289. *Q.* 35. The Committee do not consider that the question of Imperial Preference can be discussed on any general grounds, by which they understand grounds other than economic. Certainly, India will not be justified in risking any appreciable economic loss for the sake of Imperial Preference.

7290. *Q.* 36. No answer necessary.

7291. *Q.* 37. India being neither an exporter of manufactured produce nor an importer of raw materials to any appreciable extent in her trade with the British Empire, generally speaking, she does not gain by a scheme of Imperial Preference. The disproportion of India's import and export trades with the United Kingdom moreover, presents, on the other hand, distinct chances for India to be a loser in this reciprocal treatment. Again the competition of some of the Indian industries lies entirely with the manufactured produce of the United Kingdom. A preferential treatment can only be extended to them at the expense of the competing home industry. The scope for relations to be attempted by other countries is very small, though not entirely absent.

7292. *Q.* 38. No answer necessary.

7293. *Q.* 39. No answer necessary.

7294. *Q.* 40. Yes, it would, in cases of a commodity in whose trade the import from other countries plays a more important part than that from other parts of the Empire, *e.g.*, sugar, mineral oil, silk manufacture.

7295. *Q.* 41. Under a system of Imperial Preference the total import trade is certain to increase. The export trade may remain steady, though with a tendency to decline. The net effect on the balance of trade will be that India's favourable balance of normal years will gradually shrink and will probably ultimately vanish.

7296. *Q.* 42. As a result of diversion of trade from foreign countries, there will be a narrower market for India's manufactures abroad. If, as it is expected, India's import trade with other countries declines as a result of Imperial Preference, the rupee exchange with regard to these countries will be comparatively in favour of India and thus import of Indian manufactures made more costly. The whole of India's foreign trade, moreover, will become more or less precarious owing to its depending too much on a single country.

7297. *Q.* 43. Yes, The Indian Mining Federation represents the Indian capital in the mining industry, mainly coal.

7298. *Q.* 44. The coal mining industry being the key industry of a country, and coal resources of a fairly good quality being present in fair abundance in this country, the question of further natural advantages do not arise, as in the case of other industries. The present workability of coal at shallow depth, the thickness of the Indian seam and India's possible market in the neighbouring foreign ports are however advantages of appreciable value to the industry.

7299. *Q.* 45. It is both.

7300. *Q.* 46. The coal mining industry of Bengal and Bihar and Orissa is hardly 100 years old. The organization of the industry, though not ideal, may yet be considered satisfactory under the existing Indian conditions.

(*a*) *Capital.*—A principal feature of this industry as distinguished from that of other countries is that some of the collieries are small takings, owned by individual proprietors rather than limited liability companies. The result is that in the coal mining industry, the scarcity of capital is felt more than in other Indian industries. Forty per cent. of the coal of Jharia and Ranigunj fields are raised by the small Indian colliery proprietors to whom bank facilities are closed. Many therefore have to borrow capital from the moneylenders even at so high a rate as 36 per cent.

(*b*) *Labour.*—Another difficulty towards better organization of the coal industry is the position of labour. 90 per cent. of the mining labour of the coalfields is of a seasonal kind. They return to their native village twice a year for sowing and harvesting paddy and join mines only after an absence of two to four months. They observe no regular shift and work only for a required income. With a rise of wages, their working hours fall.

(*c*) *Skill and Machinery.*—Indian collieries are adopting a progressively high standard of skill and machinery.

(*d*) *Transport and Marketing.*—It is in these respects that the organization of the mining industry is most defective. A detailed statement appears under Answer to Question 49.

7301. *Q.* 47. It depends mostly on the home market. If, however, the output increases as in the five years ending with 1919, the time is not probably very distant when Indian coal may find a wider and wider market in the neighbouring parts. After all, the industry will depend mostly on the home market itself.

7302. *Q.* 48. Both in the home and foreign markets the competition of Indian coal lies with British, Natal and Japanese coal. The competition extends over what is known as first and second class coal: in the consuming centres near the coalfields, there is hardly any competition, but in distant centres the price of Indian coal depends so much on transport facilities available at the time that their competition is almost general.

7303. *Q.* 49. Yes, there are; and it is these disadvantages (some of which are entirely remediable) which affect the competitive power of Bengal coal in the western ports. These disadvantages may be enumerated as follows:—

(*a*) Deficient transport facilities. The supply of wagons is so insufficient and the handling and the marshalling capacity of the railway yard is so limited that it is always difficult to tansport coal to distant consuming centres.

(*b*) Control of traffic. Producers of coal under what is known X class supply is made dependant on the consumers on whose requisition alone, wagons are provided. This was a war measure but it is surviving even today.

(*c*) High freight charges from the coalfields to the distant consuming centres both by sea and land routes.

(*d*) Government policy of working the Railways from a fiscal point of view, the result being that the coal freight is revised periodically for further increase.

(*e*) Unsympathetic attitude of the Railway administration in providing loading facilities to the Indian section of the industry.

7304. *Q.* 50. The coal mining industry of Bengal and Bihar and Orissa does not require Protection which some of the other Indian industries do owing to the intrinsic inefficiency of the industries themselves. On the other hand, so far as competition is concerned, the industry is efficient enough. The unfair conditions under which the present competition lies is created wholly by the high freight charges and the incapacity of the State to provide sufficient transport facilities. The Railway policy of the Government and the fiscal pressure on the Central Government have led to the freight continually mounting higher and higher in recent years. The freight to Bombay from the coalfields (this and Karachi are the two important centres of competition) was in 1907 Rs. 11-4. Even so late as March 1920 it was Rs. 12-12 when it was raised to Rs. 14-10 and in October last to Rs. 15-2; this excludes the surcharge introduced in the current financial year of Re. 0-2-6. which, if added, would work out the full freight at Rs. 17-8. Besides this, the Committee understand that the Government of Bihar and Orissa have also before them the proposal of imposing an octroi duty of 4 annas per ton of coal despatched from that province. If that duty is imposed, the freight charge will be raised to Rs. 17-12 and if further in-

creases of surcharge are proposed in the next year's Finance Bill owing to a fall of the Railway earning, the rate will simply be appealing. As against this high freight of Indian coal, the present Cardiff-Bombay freight for coal is about 17s. In view of this wide disparity of freight rate, the Committee suggest that the present import duty of 8 annas a ton be raised to Rs. 5 per ton in order to protect the Indian coal in the competition.

7305. *Q.* 51. Certainly, as soon as the traffic facilities are satisfactory so that large quantities of coal can be transported to the distant centres without much delay and the freight charge is steadied at a reasonably low rate, the coal industry will not stand to require any Protection at all.

7306. *Q.* 52. The Committee have no information. Both Japanese and Natal coal, however, are supposed to enjoy transport concessions.

7307. *Q.* 53. Yes, it is. If the rupee sterling exchange rises very high, Bengal coal is sure to lose its market at Bombay and Karachi.

7308. *Q.* 54. So long as the unfavourable exchage rules, the competition must continue to be affected.

7309. *Q.* 55. Yes, the Committee would suggest an increase of customs duty. For every rise of 3*d.* in the exchange over 1*s.* 6*d.* the import duty per ton of coal ought to be increased by Rs. 2. For a temporary depression of exchange a transport concession seems to be the best safeguard.

7310. *Q.* 56. None.

7311. *Q.* 57. There has been none hitherto and the Committee trust there will not be any hereafter. Certain alarmist opinion as to the resources of coal in India has led to the suggestion being thrown out from uninformed quarters that the export of coal should be practically stopped by an export duty. This is preposterous. So long as the import of foreign coal is permitted, export should by no means be discouraged. If the restrictions on industry are withdrawn and the labour position remains satisfactory the output of Indian coal is sure to increase in the near future.

7312. *Q.* 58. It is used as fuel.

7313. *Q.* 59. No.

7314. *Q.* 60. The Committee would prefer the second system.

Oral Evidence of Messrs. M. C. Raisurana and A. L. Ojha, Calcutta, the 5th January 1922.

[Except where otherwise stated the questions were answered by Mr. Raisurana.]

7315. *President.*—*Q.* You represent the Indian Mining Federation, Calcutta, and you are principally interested in coal?

A. Yes.

7316. *Q.* In answer to Question No. 3, you make certain suggestions as regards changes in the import tariff. Do you make these suggestions from a revenue point of view or for protective purposes?

A. Mainly from a revenue point of view. I have to add this statement further to the statement originally sent. With regard to the list of changes in the tariff, I would like to modify item No. 6 as also the rate suggested with regard to yarn above 30 e. In the case of the first, the Committee would suggest, instead of the rate given, an increase of 75 per cent. on the present duty, and in the case of the latter, a duty of 15 per cent. instead of 2½, as suggested in the written statement. I would also like to give a supplementary list suggesting further changes in the tariff.

The duty on the following commodities may be increased by 100 per cent.: tobacco unmanufactured, cigars, cigarettes and all other sorts of tobacco (manufactures) and smokers' requisites.

The following commodities may be taxed at the rate of 40 per cent. *ad valorem*: glass bangles, jewellery and jewels and ivory manufacture.

The existing duty in respect of the following articles may be raised to 30 per cent. instead of the present rate of 11 per cent: marble and stones and articles made of marbles, electric plated wares, toilet requisites, toys and requisites for games also 30 per cent.

Wines (*vide* item No. 13 of Tariff Schedule 2) as at present Rs. 9 and Rs. 4-8 may be raised to Rs. 38-8 and Rs. 31-8 respectively per imperial gallon.

Perfumed spirits may be taxed at 75 per cent. *ad valorem*, the duty on liquors, beers, and other fermented liquors from Re. 0-6-6 per imperial gallon of 6 quart. to Rs. 2-8-0.

Betelnut, fish of all sorts, linseed oil, cocoanut oil, precious stones and pearls imported may be taxed at 25 per cent.

Fruits and vegetables, dried and fresh, gum, glasswares, hides and skins tanned, carriages and channels for carriages, cutlery and tea may be taxed at 20 per cent..

The duty in respect of the following articles may be taxed at 15 per cent.: timber of all sorts including ornamental wood, piece-goods (cotton and wool), jute twist yarn and jute manufactures, cement, lime, tiles, earthenwares, apparel, drapery including yarn above 21 c. and also nails, rivets and washers, bolts and nuts. Cotton yarn 11 to 20 c. may be taxed at 12½ per cent., cotton twist and yarn now on the free list may be taxed at 7½ per cent.

7317. *Q.* These suggestions are for revenue purposes and not for Protection?

A. Mainly from a revenue point of view.

7318. *Q.* With reference to your answer to Question No. 5, you think these results you have indicated have occurred in consequence of the Free Trade policy?

A. Yes; at least it is our belief that it is owing to the Free Trade policy of the Government, because in those years the number of mills in India were on the increase, at the same time the import into India of commodities had increased by leaps and bounds.

7319. *Q.* In the next paragraph you say. "If this policy of a revenue tariff is continued in future, India will miss an effective means of developing her productive power." Will you please explain what you mean by that?

A. The Indian labour and her economic development have so far been mainly agricultural; she has not advanced industrially as the western countries. Unless therefore we have a protective tariff safeguarding our growing industries we cannot improve and compete with other countries. The labour for instance, here is uneducated and is not skilled as in other countries.

7320. *Q.* Because they have got to pay higher wages for skilled labour which they have to import?

A. Yes, and the labour which we have in India is unskilled. It will take some time to make those labourers skilled.

7321. *Q.* Therefore their productive capacity is small. Is that it?

A. Yes. Sir John Strachey in his book "Indian Administration" on page 182 says "The first remission of duty on cotton manufactures was made in March 1879. In the 4 years preceding that date, the average annual value of the imports of cotton goods was Rs. 18,760,000. In the 4 years following the complete abolition of the duty and ending with March 1886, it was Rs. 24,690,000 and in the 5 years ending 1892-93, it was Rs. 29,718,000. The price of cotton goods fell greatly after the Indian import duties were remitted and the increase in the quantities imported was more striking than the increase in value." When the import duty was remitted on the import of piece-goods, then India imported more than she was importing before.

7322. *Q.* In answer to Question No. 12, you say Industries recommended for Protection are cotton, sugar, metallurgy, tanning, glass-making, saltpetre, wool and silk manufacture. In selecting for Protection, these industries may be chosen which enjoy only natural advantages in the country and which have already attained varying degrees of success." You would not give Protection to the establishment of new industries.

A. Later on we have said that some experiment may be made by giving Protection to those industries for which there is some chance of being carried on in India, but those industries which are already in existence have a prior claim to Protection.

7323. *Q.* You have qualified this statement?

A. Yes.

7324. *Q.* You say in answer to Question No. 15, "A transport concession also provides an effective safeguard against foreign competition. A lower freight rate of coal for example from the coalfield to Bombay would infinitely secure the competitive power of Bengal coal

with African, Japanese and Welsh coal." Do you refer to railway transport or railway *plus* sea transport?

A. Both are against us just now.

7325. *Q.* In answer to Question No. 18, you refer to special high rate of fee for registering in India. What do you mean by that? It is very vague.

A. They should be made to pay a higher registration fee.

7326. *Q.* What specific recommendation do you make?

A. I cannot suggest anything specifically just now.

7327. *Q.* In answer to Question No. 32, you say "Unless an industry is on a fair way to be built up, the retention of the raw materials in the country will serve no useful purpose. Oil-seeds, however, may be retained in the country for industrial purposes. Hides and skins also may be similarly treated. The tanning industry is fairly developed and the adverse effect on price is not likely to diminish their supply." Have you considered the effect of an export duty in regard to these two articles, oil-seeds and hides and skins on the producers?

A. India has been producing oil-seeds, exporting them, and importing in the shape of oil, and if these oil-seeds are pressed in India, those who now take the oil-seeds, will take the oil from India.

7328. *Q.* But if you put an export duty, the whole quantity produced could not be manufactured, but it will be a very small percentage of what the cultivator actually produces?

A. There is a growing oil industry in India and there are sufficient big mills in the country which can consume a large part of the raw materials and their consumption is likely to increase more in future.

7329. *Q.* Don't you think that the better way would be to put an import duty on import of oil instead of an export duty on oils?

A. That is what we have suggested.

7330. *Q.* You want both?

A. Yes, but it is better if the seeds can be compelled to be retained in the country for manufacturing purposes.

7331. *Q.* You think it will not appreciably affect the cultivators in producing oil-seeds?

A. If there is not much demand they can take to grains.

7332. *Q.* Then the actual production of oil-seeds will be reduced and prices will go up?

A. Yes.

7333. *Q.* In answer to Question No. 33, you say "No, on the other hand when there is a tendency for a fall of price, attempt should be made to encourage export in order to tone up price at normal level." Please explain what you really mean by this.

A. This is the opinion of the Committee. I regret I am unable to explain it further.

7334. *Q.* In your answer to Question No. 46 (*a*), you say, "Forty per cent. of the coal of Jharia and Raniganj fields are raised by the small Indian colliery proprietors to whom bank facilities are closed." Will you please explain that?

A. The Indian Collieries are always at a disadvantage as compared to other big colliery owners. As regards sale of coal, undue preference is given to Railways in the supply of wagons and also in the grant of sidings.

7335. *Q.* You are mixing up two things. You say that these small colliery owners have got various difficulties with the Railway Companies. But at present I am asking you about your statement that the banks are practically closed to these people?

A. They can give security of the collieries, but the banks would not accept those securities.

7336. *Q.* The banks do not regard that as adequate?

A. Yes, they are doubtful about the commercial soundness of the small collieries.

7337. *Q.* The banks do not lend money because they do not consider the security which these people offer is adequate?

A. Yes.

7338. *Q.* The security in their opinion is not sufficient?

A. But it would have been sufficient if it were in the hands of the big colliery owners.

(*Mr. Ojha.*) The small colliery owners have not got sufficient influence to make the bankers advance money. There is an Indian bank run by Mr. Karnani and they advance money, but not all these banks. I am a colliery proprietor, but they would not recognise me. That is the difficulty.

7339. *Q.* Is it your grievance that you have got sufficient security and still the banks do not advance money or that the security is not adequate?

A. The security is adequate, but it is not considered adequate by the banks.

7340. *Q.* In answer to Question No. 49, you enumerate certain disadvantages which the coal industry of Bengal suffers under deficient transport facilities, insufficient supply of wagons, high freight charges, etc. I suppose those are difficulties from which the entire industry suffers?

A. These disadvantages are not felt by people who have Loco contracts for railways. They can always get a supply. Then under the X class there are so many classifications. If a man lacks influence to sell the coal, he has not equal chances of sending out his coal and getting the same prices as others with influence have.

7341. *Q.* What do you mean by that?

A. There are so many classifications. First comes the Loco, then Public Utility, then comes XA, then XB, then XC, XD and so on. If I cannot despatch my coal, naturally I want a Loco contract or a contract for a public utility business, or for XA or for XB. This means that prices are kept down.

7342. *Q.* Then in No. 49 (*c*), you say, "High freight charges from the coal fields to the distant consuming centres both by sea and land routes." This all militates against your competing in distant markets with foreign coal?

A. Yes.

7343. *Q.* Then in regard to (*e*), you say, "Unsympathetic attitude of the Railway administration in providing loading facilities to the Indian section of the industry." Will you please explain this?

A. An Indian goes to a Railway Company and says he has got a colliery and that he is prepared to pay even the cost for a permanent way material and asks for a siding. They say that they are not prepared to give him a siding. In some cases people have to wait for 5 years to get loading accommodation, and we had at times to make representation to the Railway Board in that connection.

7344. *Q.* You have that remedy always?

A. They take two or three years to look into our affairs. They take three months to acknowledge the representation, and after a reply it would take a year and a half or 2 years to sanction the siding; and then somehow or other the Railway Company put it off. Unless we can get somebody with the Government to intervene in the matter, we cannot have a siding soon. There is a case of one Mr. Ghosh, who had a colliery and the B. N. R. refused a siding. Later on he sold half his property to one gentleman, who had sufficient influence with the B. N. R. and he got a siding. In regard to my colliery, I applied first to the E. I. R. and they would not reply whether they were prepared to give the siding or not. Later on I induced the B. N. R. and then the E. I. R. said that this colliery was under their sphere and that the B. N. R. should not give a siding. They ultimately agreed to give me a siding.

7345. *Q.* How long did all this take.

A. I got my siding sanctioned in about 1½ years.

7346. *Q.* What was the interval between the time you applied and the time you got it?

A. It has been sanctioned. Probably it will take 2 years more to get the siding. Then I had a stock of 67,000 tons in my colliery. I wanted an extension of siding and they would not give it. After a lot of trouble I got a siding in 9 months.

7347. *Q.* Your contention in regard to Question No. 50 is that the cost of transport from Bengal to Bombay is higher than the cost of transport from Cardiff to Bombay?

A. Yes. Just now it is 17 shillings from Cardiff. The railway rate is Rs. 17-12-0, and even by steamer route the rate is Rs. 11-8-0, the railway freight to Calcutta is Rs. 4-8-0, and other expenses at the docks Rs. 1-8-0. All this comes to about Rs. 17-8-0, whereas the rate from Cardiff taking the rupee at Sh. 1-4-0, comes to about Rs. 12-12-0.

7348. *Sir Edgar Holberton.*—*Q.* Would you mind telling me what the Indian Mining Federation is?

A. It has a number of Indian colliery owners as members.

7349. *Q.* Big and small?

A. Yes.

7350. *Q.* Mr. Sircar has a big colliery?

A. Yes.

7351. *Q.* Does this argument which you put forward about difficulties in getting fair treatment apply to all the members?

A. Yes, to everybody. If a man gets good treatment by some influence, that does not mean that the whole trade is getting fair treatment.

7352. *Q.* I want to know clearly what you mean by influence?

A. If I have a friend who can put some pressure upon persons, I call that influence.

7353. *Q.* On what persons?

A. Anybody who has got anything to do with it. It may be the Railway or the Government.

7354. *Q.* This is a very serious accusation you have brought. I want to know what sort of influence would procure the result you want. Do you mean that the gentleman concerned must be known to some of the Managers of the Railway?

A. He might be known to the Managers, or he might have some influence with high Government officials.

(*Mr. Ojha.*) I may be permitted to make the point clear. With regard to Messrs. D. N. Ghosh and Brothers, so far as we know, a gentleman on their behalf gave evidence before the Railway Committee and he at that time stated, and it is known to all of us, that he had to part with one-half of his property on the condition that the party who was to receive this property would bring influence to bear upon the railway authorities, but what influence this gentleman had upon the railway authorities, it was very difficult to find out. The attempt, however, was successful.

7355. *Q.* Was the colliery equally efficient before and after this other gentleman came in?

A. (*Mr. Raisurana.*) There was no difference, it was just the same.

7356. *Q.* It was extremely difficult to get the siding facilities you wanted without bringing this gentleman in?

A. Yes.

7357. *Q.* These facts are known to you?

A. Yes.

7358. *Q.* They are not hearsay?

A. No. These facts were also reported in the public press. Moreover, this gentleman also gave evidence before the Railway Committee on behalf of the Federation.

7359. *Q.* Does this want of sympathy on the part of the Railway authorities apply to small companies as well?

A. Yes, to most of the small companies. I possess 2,000 bighas and nearly three-fourths of it contains first class coal. I am experiencing great difficulty in getting a siding. I do not think I will get it for another two years. They have given sidings to other collieries at longer distances, but in my case the Railway is not prepared to consider my application before they can be sure after practical experience of working what traffic the new siding will offer.

7360. *Q.* Cannot you give them that information?

A. I gave them all the information, but they simply state that they are not prepared to give the siding.

7361. *Q.* Your Indian Mining Federation contains only Indian firms?

A. Yes, it contains all Indian firms.

7362. *Q.* Are not these Indian firms also members of another Mining Association?

A. Yes, some of them are.

7363. *Q.* Some of your members are members of the Indian Mining Association?

A. Yes, very few.

7364. *Q.* In answer to Question No. 46, you refer to another difficulty in connexion with labour, namely, that 90 per cent. of the mining labour of the coalfields is of a seasonal kind. The coolies return to their native village twice a year for sowing and harvesting paddy and join the mines only after an absence of two to four months. What do they do during the rest of the year?

A. They work so long as they are in need of money.

7365. *Q.* It is not so much seasonal then?

A. They go away for about three months, come again for a time and then remain absent for a fortnight during the crop season.

7366. *Q.* Supposing you attempted to remedy this by giving them more wages?

A. They will do less work as they are doing at the present time.

7367. *Q.* What class of labour have you, of what race are they?

A. We have Santals and Gonds, they are all local people.

7368. *Q.* Have you made any attempt to import labour for your mines?

A. We are trying to import labour from the United Provinces.

7369. *Q.* Is the position in the coal mines with regard to labour at the present time particularly serious?

A. It was. It is improving now.

7370. *Q.* I asked you this question because I am amazed to see that one of the railways of Calcutta has very much reduced its train service for want of coal. Now, as a coal man can you give me a real explanation of that?

A. The output of coal went down very much during the months of September, October and November and consequently they could not make the despatches to the railways.

7371. *Q.* Was it not due to labour?

A. Labour would be the chief thing that it could be attributed to.

7372. *Q.* What were the coolies doing? Were they reaping?

A. Yes, they went for sowing and harvesting. In previous years, they have been returning early but this time they did not come back after the harvesting period even.

7373. *Q.* Can you assign any particular reason?

A. They had a bumper crop this year, so they had enough to eat and were not in need of money. Previously they used to work for five days on an average in a week, now they are only working 3½ days.

7374. *Q.* I gather from your evidence that your business lies very largely in coal that has to travel over considerable distances by rail?

A. My business extends all over India, Karachi, Bombay, Madras and other places.

7375. *Q.* Do you think your business has been affected by imports of foreign coal?

A. Yes, it has been affected by the import of coal, from Natal and Japan and then from Cardiff.

7376. *Q.* As a remedy you suggest that the import duty should be increased?

A. Speaking generally, if we are given a fair chance we do not want any Protection for coal because we are sufficiently equipped and our costs are so low that we can compete on equal terms with any other collieries, but we are placed at a disadvantage as regards payment of high freight, etc., so that we cannot properly develop and naturally we have to ask for Protection.

7377. *Q.* The Protection you would ask for really would be principally in the way of special transport rates. This, of course, would reduce the earnings of the railways very materially?

A. In pre-war days it used to take about 3 days to reach Kidderpore docks, now it takes, on an average, 5 days. I think they can very well reduce their rates by speeding up their traffic.

7378. *Q.* I gather by studying your evidence that you do not look upon the railways as a legitimate commercial proposition?

A. It need not be treated as a commercial proposition so long as it is not a loss to the Government.

7379. *Q.* A considerable improvement in the transport conditions may be brought about by greater efficiency?

A. Yes. They could very well afford to reduce their charges.

A. (*Mr. A. L. Ojha.*) The freight to Bombay from the coalfields was in 1907 Rs. 11-4, to-day it is Rs. 17-8 inclusive of surcharges.

7380. *Q.* Was not that more or less a reflection of prices all over the world?

A. I do not exactly think so. Another thing you find is that certain concessions have been given to other coal industries and they are put on a different

footing. We are not in a position to stand competition with the imported coal.

7381. *Q.* You think it is a good thing to send coal by rail from Jharia to Bombay?

A. Yes, Bombay is the chief centre.

7382. *Q.* Why by rail? Do you not think that a way out of this difficulty is to arrange a special freight right from Jharia to Calcutta?

A. The Steamship Companies charge a high rate of freight and the port charges are also high.

7383. *Q.* Then your complaint is not only against the efficiency of the railways but also against the efficiency of the Port of Calcutta?

A. Yes.

7384. *Sir Montagu Webb.*—*Q.* In your reply to Question No. 1, you say that the marginal industrial development on attainment of which alone a country can be considered fit to reap the advantages of a free market is yet absent in India. Would you explain a little more fully what you mean by that?

A. Our industries are not fully developed, they are practically in their infancy.

7385. *Q.* Do you mean to say that if they were fully developed, you would then be in favour of a policy of Free Trade?

A. If we are fully developed, we would be in a position to meet all competition on equal terms. Since we are so backward we are not in a position to meet competition as those countries that are far advanced. Other countries had also to do it. England had to do it.

7386. *Q.* Your Association, I understand, is chiefly interested in coal?

A. Yes.

7387. *Q.* This Commission is considering if Indian industries can be assisted by the modification of the tariff. Do I understand you correctly to say that you do not require any assistance from the tariff? You do not consider the coal industry requires any assistance?

A. If the handicaps which are obstructing the coal industry at the present time are removed, then I do not consider the coal industry would need any Protection. As conditions exist at present, the coal industry requires Protection.

7388. *Q.* It requires Protection because of the transport difficulties. That is really what it comes to?

A. That is our chief difficulty.

7389. *Q.* At the conclusion of your reply to Question No. 50, you suggest that an import duty of Rs. 5 a ton would be well at the present time?

A. Yes, because that would bring our prices to the same level as the prices of the imported coal, so that we would be competing on equal terms with them.

7390. *Q.* Do you think that distant markets like Bombay, Karachi and Madras would welcome an import duty of Rs. 5 a ton?

A. They have to pay higher freight when they cannot get any coal.

7391. *Q.* Do you consider that it would be fair to the industries of the country as a whole that you should be put in a position to compete with foreign coal in every port in India no matter how remote it was?

A. All that we want is a reduction in freight.

7392. *Q.* You think it is more economical to transport by rail, for example, from Bengal to Marmagoa, than by sea?

A. It would be better to take it by sea than by rail. But as we cannot take it by sea, there is, therefore, no alternative but to take it by rail.

7393. *Q.* The view of your Association is that you ought to be in a position to supply coal to any port in India in competition with sea transport. That is the position your Association take up, I understand?

A. Not only ports but also inland towns.

7394. *Q.* I am alluding first to ports because the inland towns do not come in it. That is your position?

A. Yes.

7395. *Q.* You think that this would be to the interest of the country at large, as well as to the coal mining industries?

A. Yes, if the industries will pay higher freight charges, they would not be able to get coal as cheap as they are getting just now.

7396. *Q.* Those who are anxious to encourage the development of Indian industries in other parts of the country, have advocated very strongly an export duty in order to keep produce within the country and to keep its prices low. I gather that your Association are opposed to that policy of export duty? In paragraph 30 you appear to be in favour of export duty.

A. (*Mr. A. L. Ojha.*) We refer to all raw materials.

7397. *Q.* You are there advocating export duty on somebody else's raw material, but not on Indian coal?

A. (*Mr. M. C. Raisurana.*) Coal is now being imported into India; in view of the appalling freight charges we are not able to compete with it at distant centres. Naturally we must be given a free market and there should be no restriction on us or if we are given a restriction we must be protected.

7398. *Mr. Coyajee.*—*Q.* In your answer to Question No. 12, you impose two conditions for applying Protection to any industry. You say (1) that only those industries may be chosen which enjoy natural advantages in the country and (2) which have already attained varying degrees of success. These are the conditions you would assume before granting Protection?

A. Yes.

7399. *Q.* Now, as regards new industries which are not already existing, would you advocate Protection at once?

A. Well, if they can be started in the country without much difficulty, of course; but so long as they are not in existence and no profit or capital is forthcoming, no useful purpose would be served to protect them.

7400. *Q.* A suggestion was made by an important witness before this Commission that a better way to maintain them at first is by subsidies? Do you agree to that suggestion?

A. That would depend upon the financial condition of the Government. If they are unable to give subsidy, then, of course, Protection may be given.

7401. *Q.* In the same answer you are advocating Protection for the cotton industry. Will you kindly state your grounds for doing so?

A. Cotton is produced in India and the cotton industry is in a fair way to attain its height. India was one of the principal cotton manufacturing countries in the world and no country could compete with its manufacturers, but owing to the Free Trade policy of the Government it has been reduced to a state that for its very needs it has to import from other places. The country must, therefore, be made independent of imports.

7402. *Q.* Look to your answer to Question No. 14. You do not advocate protection for those industries which would require it continuously?

A. Well, we would further say that those which are of national importance and are not in a position to face competition if they have to be protected.

7403. *Q.* In your answer to Question No. 17, you say you have apprehensions that in the metallurgical industries there is a prospect of combination. Why do you entertain those apprehensions with regard to the metallurgical industries?

A. Because of the few firms engaged in metallurgical industries.

7404. *Q.* In the last sentence of your answer to Question No. 20, you say, "Moreover, so far as the duty is covered by the higher price of home produce, it does not reflect itself in the rise of prices." What is the exact significance of that?

A. What we believe is that if there is demand, the price will go up, but if people are not prepared to pay the higher price, the producers will have to reduce their profits so as to gain the market.

7405. *Q.* So, what I suggest is that you will give Protection only to those industries for which there will be a demand in this country?

A. Yes.

7406. *Q.* Coming to your answer to Question No. 31, your view is that after Protection has come in the total volume of our export and import trade will be reduced?

A. The imports will be reduced. There will be more home manufacture, and the exports will be reduced because those raw materials which used to be sent out will be consumed in the country. The volume of the trade of the country will not be reduced, but the exports and imports will be reduced.

7407. *Q.* It has been alleged before this Commission that as soon as Protection is brought in, there

will be a great movement towards the import of capital into the country. We will want a lot of machinery and for some time imports are not likely to decrease. What is your view?

A. That would be for the benefit of the country, because the imports would be for productive purposes. At present what we are importing is not for productive purposes. If we import machinery instead of importing gold it would be for productive purposes. The movement will therefore only be temporary.

7408. *Q.* In your answer to Question No. 31, you divide your exports into two classes. Are you advocating export duties on cotton, wheat, rice and hides and skins? Is there any difference in your mind as to the use of export duties in the case of the two classes of commodities?

A. In those articles where we have to meet the competition of other countries, we will have to regulate our duties so as to enable the products of India to compete with those of other countries, but in those in which we have a monopoly we will only be prepared to put export duties.

7409. *Q.* As regards cotton, it has been alleged before this Commission that as our mills are not consuming at present even half of the cotton produced in the country, the putting of an export duty on cotton would be a hardship to a very large number of cotton producers in the country. What is your view?

A. The possibilities of India as regards cotton manufacture are vast, and to express an opinion whether or not India would be able to utilise all the cotton would be very hazardous. At least I hold that India would be able to manufacture all the cotton.

7410. *Q.* That is in the long run?

A. It may be short or long.

7411. *Q.* In your answer to Question No. 46, you enumerate certain difficulties of the coal mining industry. Is there any tendency for the small scale industries to disappear and to be replaced by large scale industries?

A. (*Mr. Ojha.*) No.

7412. *Q.* The difficulties which you enumerate, are they peculiar to Bengal or are they common to all provinces?

A. (*Mr. Ojha.*) Almost all the coal fields are situated in Bengal and Bihar and Orissa. Other provinces produce very little.

7413. *Q.* In your answer to Question No. 46 (*c*) you say, "Indian collieries are adopting a progressively high standard of skill and machinery." Are the small producers doing the same?

A. So far as the production of their collieries justifies their adopting it.

7414. *Q.* In what lines? Are they taking up electrical installations?

A. For small collieries they cannot do it.

7415. *Q.* But the bigger ones are adopting it?

A. Yes.

7416. *Q.* And mechanical coal cutters?

A. They have been tried by European collieries owing to the labour conditions. But cutting coal by machinery costs more than doing it by labour.

7417. *Q.* In your answer to Question No. 50, you propose a duty of Rs. 5 per ton for imported coal. Now, don't you think that this will affect industries depending on Indian coal?

A. We propose this duty as a last resort. We want that the freight rate should be reduced, so that all industries may have a chance of getting their fuel cheaper; but in case we have to meet unfair competition of other countries, then, of course, we should be given Protection by import duties. (*Mr. Ojha.*) We recognise that this should be a last resort. It will be effective only at the ports. We have to stand competition only at the ports. If a concession rate is given from the coal fields to the ports, that will suffice.

7418. *Q.* You say in your answer to Question No. 55, "Yes, the Committee would suggest an increase of custom duty. For every rise of 3*d.* in the exchange over 1*s.* 6*d.*, the import duty per ton of coal ought to be increased by Rs. 2. For a temporary depression of exchange a transport concession seems to be the best safeguard." You will remember that an import duty will endanger the working of other industries, especially when they are hit by the exchange. So, you advocate this as a last resort?

A. In such a case if no Protection is given it will be very difficult to compete.

7419. *Q.* If transport facilities are given to you, you won't come in for Protection?

A. (*Mr. Ojha.*) If all these facilities are given, of course we might be able to stand without Protection. It is our presumption that if we are given transport facilities, we will not require Protection, but what the future will be we cannot say. If we have adequate transport facilities at present, we will not require Protection.

7420. *Mr. Seshagiri Ayyer.*—*Q.* As regards the answer to the first question, I want this sentence to be explained a little more: "The marginal industrial development on attainment of which alone a country can be considered fit to reap the advantages of a free market is yet absent in India." Do you mean to suggest that having regard to the extent of the country and to the raw materials available, and the industrial development of India, Free Trade is not thinkable for the time being, until the country is a little more advanced in industry?

A. Yes, until the country is more advanced industrially, it would not be advisable even to think of Free Trade.

7421. *Q.* Now, as regards your answer to Question No. 3, you have given a list of articles which should be taxed in a particular manner and at a particular rate, and in answer to the President you gave other articles and rates and you stated that they were for revenue purposes. Now, supposing they were required for protectionist purposes, would you impose a heavier duty?

A. (*Mr. Ojha.*) Oh, yes.

7422. *Q.* In answer to Question No. 1, you say that you would like to have Protection. Therefore the rates which you have suggested would answer revenue as well as protective purposes?

A. In some cases the rates will have to be increased, if it is Protection that is wanted.

7423. *Q.* Otherwise, the rates you have given would suffice for ordinary revenue purposes?

A. Yes.

7424. *Q.* As regards your answer to Question No. 12, supposing there are raw materials in the country and the country is largely importing the finished articles and you want to start the industry in India, would you impose a duty upon the finished foreign article?

A. If we are satisfied that the promoters have made out a good case of being able to manufacture it, of course, Protection should be given to that industry.

7425. *Q.* That is to say, they should start the company and subscribe the capital, and if there are sufficient raw materials for that industry in the country and if the men who come forward to start are respectable, then you would give Protection?

A. The question would be, whether they have sufficient technical skill, raw materials and capital, and if the industry is otherwise favourably circumstanced—then I would ask for Protection.

7426. *Q.* As regards your answer to Question No. 14, you say, "Only to those which are likely to face foreign competition after a time." I suppose what you mean is that you would not give Protection for all time to an article which cannot stand on its own legs?

A. But industries which are of national importance will have to be given Protection for all time.

7427. *Q.* Can you give instances?

A. Arms and ammunitions. All things which are of national importance in times of war as well as in times of peace should be given Protection.

7428. *Q.* In other cases?

A. In other cases, the industries should, after a time, be in a position to face foreign competition. When they are in a position to stand that competition, then there is no reason why Protection should be continued.

7429. *Q.* As regards Question No. 16, you say, "Their decadence is inevitable to a certain extent with the growth of large scale industry." That is with reference to the hand loom industry. In the list of articles you mention for import duty, you include

foreign yarn. Would not that have the effect of handicapping the handloom industry?

A. No, because the handloom industry consumes only the coarser yarns.

7430. *Q.* There you must allow me to correct you. I am speaking of Madras wherefrom I come: it is really the higher counts of yarn that are used by the handloom weavers. Supposing you impose an import duty upon higher counts of yarn, the result of it would be to handicap the handloom industry?

A. No. What I believe is that India used to manufacture very fine yarn before, and that industry died out. If there is Protection, the manufacture of fine yarn would be started.

7431. *Q.* We were told that having regard to the atmospheric condition of this country, it will not be possible to manufacture fine yarn. If that is so, would you not modify your answer?

A. At least, it is my opinion that it can be manufactured in the country.

7432. *Q.* But if it cannot be?

A. Then it will have to be decided on the facts. One thing I would like to point out is this: at present, machinery worked by power is charged import duty at the rate of 2½ per cent., whereas machinery worked by hand or animals is taxed more. The tax on machinery worked by hand or animals should be reduced.

7433. *Q.* So far as the cotton industry is concerned, it has been suggested that the Bombay manufacturers are reaping large profits and therefore they do not require Protection. What do you think of this?

A. If they are making large profits, more capital would be sunk, and when there is more capital, there will be more production and prices will come down.

7434. *Q.* And the fact that the Bombay mill-owners are making large profits is not a reason for taking away the Protection?

A. It is on account of the after effects of the war that they are making unusual profits. In normal times they would not be able to make such profits.

7435. *Q.* I do not quite understand the last sentence in your answer to Question No. 30, "An export duty may also be utilised to cheapen raw materials with a view to help a struggling industry or to discourage export except in a manufactured condition." Do I understand you to mean that if you impose an export duty, the raw materials in this country would become cheaper in value and would be more cheaply available to the Indian manufacturer?

A. Yes.

7436. *Mr. Rhodes.*—*Q.* You have made out a very clear case, I think, before us that your chief difficulty is transit by rail and sea,—the difficulty of getting sidings on the railways, difficulties about delays in transit and very high rates charged?

A. Yes.

7437. *Q.* Do you know that the Railway companies admit that they are very badly equipped at present: they say that the Government would not allow them sufficient capital expenditure, and even the recent Railway budget will not give them sufficient capital to put their lines in order?

A. Whether they have been starved or whether they have funds, it remains to be seen.

7438. *Q.* When the lines are actually filled with traffic they won't be justified in providing extra sidings. That is what they say?

A. If they cannot provide sufficient facilities for existing collieries, I do not see any justification in extending lines to new coal-fields.

7439. *Q.* If the wagons are standing idle, it would be suicidal for them to refuse facilities to work them?

A. As long as they are making a profit and making over to Government 50 per cent. of their surplus, they do not care whether they earn revenue or not. If the revenue is very appreciably cut down, of course they will begin to see how to earn more.

7440. *Q.* What you really want is the Railways to put their house in order and give you better facilities?

A. Yes.

7441. *Q.* Alternatively, if you cannot get that, you would advocate your industry to be protected by the very unsatisfactory method of imposing a duty?

A. Well, that should be the last resort, because the country will have to pay for it. The first thing is that there should be reduction in freight.

7442. *Q.* Who are the biggest importers of coal at present?

A. It is being imported at Bombay.

7443. *Q.* And at Karachi. Is it not the Railway Board?

A. Yes, they are doing so lately.

7444. *Q.* If a Rs. 5 import duty is imposed on coal, would it not put up the railway rates?

A. The cost of running the railways is a very important factor and it is dependent on the price they pay for coal.

7444. (*a*) *Q.* If they have to pay Rs. 5 more per ton, surely they would have to raise the rates?

A. My contention is that we must have an outlet, and if we do not find an outlet, we shall have to sell coal cheaper. We are handicapped and naturally we ask for Protection.

7445. *Q.* I wanted to know the effect of that Protection. Would it not put up railway rates again?

A. Our position is the creation of the Railways and they are responsible for it.

7446. *Q.* Would it not neutralise any benefit you give by Protection to the Bombay cotton mills? They would have to pay more for their coal?

A. We have said later on if there is a conflict between two industries, the case of both will have to be seen, and attempts should be made to reconcile both the interests.

7447. *Q.* I want to know what your attempt would be?

A. That will have to be seen when the question arises as to which has the better right for Protection. If one industry has a better right than the other and one is more important than the other, probably one may have to be given preference or a compromise may be made between the two.

7448. *Q.* You really think that it would be much better to have better railway facilities rather than Protection?

A. Yes. By the Government's policy in the past, the coal industry has been made to serve other industries. In the first case, the railways had preference in supply of wagons and they naturally cut down prices of coal to as low a figure as possible. Even at times collieries have been forced to sell their output below cost price and recoup their loss from other buyers. This is what the railway policy of the Government has brought about in the coal trade and the colliery owners have not been able to get any money.

7449. *Q.* You desire to build up an export trade in coal, and in paragraph 47, you say, "Time is not probably very distant when Indian coal may find a wider and wider market in the neighbouring parts." Would export business in coal improve the development of the trade and encourage the coal industry?

A. India's consumption will go on increasing, as also the consumption at other places. If we cannot find a market here, naturally we have no other alternative but to find an outlet. If we can sell in India, we would sell here.

7450. *Q.* You want to have both markets?

A. We want to be able to export to other countries. When the buyers are at liberty to import coal we must certainly be at liberty to export coal.

7451. *Q.* You want India to be an exporter of coal, *i.e.*, to supply all requirements of India and to export coal?

A. Yes.

7452. *Q.* It is a very important point, because you are the first gentleman who has really represented the point of view of the producer with reference to export and we have had this in connection with wheat and oil-seeds.

A. Our main contention is consumers are at liberty to get cheaper fuel, we must be at liberty to sell the thing at our price to anybody.

7453. *Q.* In answer to Question No. 18, you talk about a very heavy registration fee for foreign companies. What do you exactly mean by foreign company?

A. Those who do not want to have their offices here.

7454. *Q.* I am the head of a European firm here. If I were to float an Indian colliery company domiciled here and register it here and invite subscriptions from the public and from every race, creed and colour, would that be an Indian company or a foreign company?

A. If you invite subscriptions in India and there is no restriction as to allotment, of course it would be an Indian company,

7455. *Q.* You live in Calcutta?

A. Yes.

7456. *Q.* I suppose you are living amongst the largest assemblage of middle class population in India. I want to ask you a question as regards Question No. 24, where you say that the policy of Protection will tend to raise the cost of living to a certain extent. Can you elaborate your views a little? What would be the effect of Protection on the very large middle class population we have in Calcutta and the surrounding districts? Would it be a real hardship?

A. They will have to take to commerce. At present, a man after he has got a little education feels ashamed to do any manual work. He should not be ashamed of earning his livelihood by manual work. He is ashamed because he has been educated and he has to suffer the consequence.

7457. *Q.* Don't you think that in the transition period of finding that out, there will be great distress amongst the middle classes in India?

A. It would be very temporary.

7458. *Mr. Birla.*—*Q.* I find you are in favour of Protection and though you do not approve of excise duties in practice, still you say that you approve of them in theory. Will you please explain that?

A. As a rule, we do not want any excise duty.

7459. *Q.* That has got no meaning at all, when you say that you approve of it in theory.

A. We do not approve of any excise duty.

7460. *Q.* In your answer to Question No. 33, you talk of great hardship when the price of foodstuffs is low. I have heard of acute hardship when there is famine and price of foodstuffs is very high. I have never heard of hardship when the price of foodstuffs is low. Will you please explain how there can be any hardship when the price is low?

A. I could not give any explanation of this, because this is the opinion of the Committee. I believe they thought, if the price of foodstuff was very low, probably the agriculturist would get very low prices. and he will be put to hardship in buying necessaries of life.

7461. *Q.* You are not in a position to explain this. It is your Committee's view?

A. Yes.

7462. *Q.* I find you are very anxious to have industrial development in this country and for that reason you even want to retain some of your raw materials by imposing export duties?

A. Yes.

7463. *Q.* You know that coal is an essential thing for the industrial development of the country?

A. Yes.

7464. *Q.* You should also know that the deposits of coal in this country are not inexhaustible. Do you know that?

A. So far as it has been developed, deposits in this country are very vast, and as the country has not been properly prospected, it will be found that there are still vast deposits in India. According to an enquiry held by the International Geological Congress, Canada, 1913, the probable resources of different countries are as follows:—

Italy . . .	243	million metric tons.
Portugal . .	20	,,
Spain . .	6,220	,,
Belgium .	11,000	,,
India . . .	70,000	,,
Japan . .	7,971	,,
Great Britain	140,000	,,
France . .	4,500	,,
Germany .	94,863	,,
United States	3,200,000	,,

India's resources are roughly 9 times that of Japan, 6 times that of Belgium, 11 times that of Spain and 15 times that of France.

7465. *Q.* I am afraid I have got better authority than you have got in this connection and this is the report of the Coal Fields Committee, in which there was one Mr. Sircar, who is one of the biggest colliery owners, and I find that the report says "that Indian coal is not inexhaustible and scientific mining methods are needed for its economic extraction. In this connection we may call attention to the observations of the Industrial Commission of 1916-18 that the question of encouraging or even compelling economic mining will soon be forced on the attention of the authorities. We believe that the time for such action has now arrived and that since without it no real improvement can be made, State interference is reasonable and justifiable. Also I find from other extracts that the coal deposits in this country are exhaustible. I am told also by some authorities that according to the present consumption of coal, perhaps the total deposit is not sufficient for more than 50 years.

A. (*Mr. Ojha.*) I think it is an alarmist view taken by somebody. That is not the view of the Federation. The Federation has already made a statement in which they have stated that it is not so. We do not agree with that view. We have evidence to show that Government themselves accept our view. Again India's resources are not properly and thoroughly and industrially prospected.

7466. *Q.* Do imports from other countries affect the price of coal very much here?

A. (*Mr. Raisurana.*) Yes, of course.

7467. *Q.* What is the price of coal, f. o. r. siding?

A. It depends upon the supply of wagons.

7468. *Q.* If I can supply you wagons, what is the price?

A. You can get coal from Rs. 7 to Rs. 8 per ton.

7469. *Q.* In some cases, you charge even more, if I am not able to supply wagons?

A. Because some of the collieries are getting very few wagons.

7470. *Q.* Can you tell me the cost price of coal at the colliery now?

A. According to the figures given by a well known Company, the Bengal Coal Co., it is Rs. 5 to Rs. 6.

7471. *Q.* What was the price of coal before 2 years?

A. I think it was about Rs. 3 to Rs. 4.

7472. *Q.* At present it is nearly double what it was two years ago?

A. Yes.

7473. *Q.* Perhaps it is due to the high price of coal that foreign imports are coming to this country?

A. It is not so. It is due to shortage of wagons here and increased freight here and on the other hand reduced freight in other countries.

7474. *Q.* Is it not a fact that the earning of the collieries has increased in the last two years very enormously?

A. I do not think so. If you take both the price and increased wages into consideration, it is not so.

7475. *Q.* Is it not a fact that collieries are giving better dividends than they used to give two or three years ago?

A. It is true to some extent. In comparison with other industries, it is not so.

7476. *Q.* I find from your evidence that the price of coal is higher than it was two years back and I find that the dividends which have been declared by colliery proprietors are more than they used to be 2 years back. In spite of all these things, I cannot understand why in the national interest you not only want to stop imports of foreign coal, but you also want to encourage export of coal from this country.

A. We do not want that import of foreign coal should be stopped nor do we want that export of coal should be debarred. (*Mr. Ojha.*) We simply say that equal opportunity and fair chances should be afforded.

7477. *Q.* Do imports of foreign coal in any way handicap your industry at all?

A. Why not?

7478. *Q.* Because prices are higher?

A. We cannot export. (*Mr. Ojha.*) The import is there. Prices have gone up as you say now. If

you take increased wages into consideration and the loss made by these coal companies in the past, you will see the whole position. You do not look at the losses made by these companies. There was a time when these people had to sell their coal at Re. 1-8-0 a ton and there was no buyer. They were selling at a loss.

7479. *Q.* We are talking of present times.

A. We have got to take everything into consideration.

7480. *Mr. Mant.*—*Q.* In answer to Question No. 12, you mention Metallurgy as one of the industries for which you recommend Protection?

A. Yes.

7481. *Q.* Is your Association interested in any other branch of Metallurgy except coal?

A. (*Mr. Ojha.*) What are chiefly concerned with coal.

7482. *Q.* I turn to your answer to Question No. 33, in which you say that high price of foodstuffs is very good for this country. You say "Acute hardship, as a matter of fact, coincides with a period of low prices of foodstuffs." Can you give any authority for that view? Is it based on your personal experience?

A. (*Mr. Raisurana.*) I have already explained that this is the opinion of the Committee, and probably when writing this, they had in view that if foodstuffs are sold cheaper, the agriculturist would be put to some hardship in buying other things.

7483. *Q.* You are not prepared to support it?

A. No.

7484. *Q.* In answer to Question No. 41, you say that under a system of Imperial Preference, the total import trade is certain to increase. Can you give us the reasons for that statement?

A. Because the manufactures of other countries would be more costly and the manufacturer from the United Kingdom will be able to manufacture at a cheaper cost, and so we will be importing more from there.

7485. *Q.* Imperial Preference does not necessarily mean lower duty, because you might put an extra duty on other countries and leave the duty on the United Kingdom just the same. How would Imperial Preference increase the total imports?

A. One country sells a thing at Rs. 2 and we put a duty of 2 annas on it. It costs the consumer Rs. 2-2-0, and on another country, the duty is only one anna. Naturally that which is cheaper is imported more, and the manufacturer of that country will make more profit.

7486. *Q.* Supposing it is 2 annas and 3 annas. Imperial Preference does not necessarily mean lower duty.

A. There would be some disparity in price.

7487. *Q.* How would Preference increase total imports? If you reduce the duties all round, there would be increased imports of course.

A. Anything which is imported under Preference will be imported more.

7488. *Q.* Supposing Preference is given by leaving the present duties as they are and putting a higher duty on goods imported from foreign countries, how will that increase the total imports?

A. It will decrease imports from other countries and increase imports from the country which has Preference.

7489. *Q.* Supposing the present duties on goods imported from the Empire are continued and you put higher duties on goods imported from foreign countries, how will that increase the total import trade of India?

A. The countries which enjoy Preference will have to compete with the industries of the other countries, and as the former will be coming under a Preferential tariff, naturally they will come more in quantity and value than from other countries.

7490. *Sir Maneckjee Dadabhoy.*—*Q.* When was your Federation established?

A. In 1913.

7491. *Q.* How many collieries are there in your Federation?

A. The Federation consists of 350 members.

7492. *Q.* What proportion does it represent to the total strength of collieries?

A. Forty per cent. of the output.

7493. *Q.* Indian capital has been sunk in Bengal in the development of collieries?

A. Yes.

7494. *Q.* Can you give me some figures?

A. You can only get the figures of the Limited Companies. We have no idea of private companies.

7495. *Q.* A very large capital is sunk?

A. Yes.

7496. *Q.* Mr. Birla asked you about dividends for the last 2 years during which collieries have been doing well. But before 1919 for a period of 10 years consistently the collieries were in a very bad plight?

A. Yes.

7497. *Q.* And coal was sold from Re. 1-8-0 to about Rs. 2-8-0 per ton with absolutely no margin of profit?

A. Yes.

7498. *Q.* And the present high dividends during the last two years, I understand, are merely adventitious?

A. Yes.

7499. *Q.* Then during the last two years these profits have been made because of the scarcity of wagons?

A. Yes, the margin of profit depends on the supply of wagons. I will give you an instance of the disparity in price. Raniguni coal was selling at Rs. 30 per ton, the same coal from Jharia was selling at Rs. 8 or 10 per ton, because there was public supply and they could send their coal anywhere and in Jharia even for XC sanctions wagons could be had every day.

7500. *Q.* It is the opinion of your Federation that the coal control has considerably damaged Indian trade?

A. It has.

7501. *Q.* And that the indirect effect of coal control was the raising of prices to a certain extent?

A. (*Mr. Ojha.*) Yes, chiefly so, also Railway freight.

7502. *Q.* And the Railway Companies during the last three years have raised by more than 25 per cent. the freight of coal?

A. More than that. Nearly 50 per cent.

7503. *Q.* I understand from the evidence you gave to-day that you want the Railway Companies to be run in the interests of the public; that the Railway Companies are companies for the carriage of public traffic and as such they should not be allowed to make large profits?

A. From a national point of view, the Railways should be made subservient to the interests of the country. And taking it as a commercial proposition, it would be all right if they could bring down wagons in 3 days; they now take 5 days. Even when taking a long time in bringing the coal, they can make a profit.

7504. *Q.* I understand that your view is that Railway finances should be subordinated to the public interest. That is the opinion of your Federation?

A. Yes.

7505. *Q.* They should not be allowed to make these large profits?

A. No.

7506. *Q.* I understand also that it is the opinion of your Federation that till the Railway Companies are in a position to meet the reasonable demands of the existing companies, there should be no additional construction of new lines?

A. Yes.

7507. *Q.* Mr. Rhodes put it to you that a Rs. 5 import duty would be resented by Bombay and Karachi people, especially the Bombay people, because it would neutralise any Protection given to Indian manufactures. I would like to make this point clear. In the first instance this Rs. 5 which your Federation has suggested is merely a suggestion? In one portion of your answer to Question is No. 3 you have stated Rs. 2-8-0?

A. That is for revenue purposes, while the other is for Protection.

7508. *Q.* What is the price at which coal is imported into Bombay?

A. It is about Rs. 30 or Rs. 28 a ton.

7509. *Q.* So, there should be no real conflict so far as the industry is concerned?

A. No. The price of coal which you are taking is the cost of coal now at the pit's mouth: over and above that, there are other charges which have to be added to it. You have taken the price as Rs. 6-8-0. The cost is about Rs. 6 to 6-8-0 at the pit's mouth; we have to pay other charges, such as supervision, etc., which have to be added on.

7510. *Q.* In reply to Mr. Rhodes' query, you say that the coal which is imported into Bombay is used largely by the Railways. Now, my experience is otherwise.

A. No, not in Bombay, but in Karachi it is largely used by the Railways.

7511. *Q.* Is it not the case that Bombay people use this foreign coal merely because they are unable to get coal from Bengal in time for their requirements?

A. Not particularly so.

7512. *President.*—*Q.* I do not understand what you mean by "the power that the Railway use." I can quite understand the colliery owners anxious to sell when they could not get wagons to transport their stuff and that they may not be prepared to sell at any price, but do the Railways deliberately use that power in order to squeeze down prices from the colliery owners by the power that they have over the control of wagons?

A. They may not use it deliberately, but that is the effect of their action; it comes to that.

Witness No. 51.

THE HOOGHLY INK CO., LTD., Calcutta.

Written statements, dated the 20th October and the 8th November 1921.

(i)

7513. With regard to your inquiries into the whole fiscal position and its bearing upon trade, we should like to bring to your notice the unfortunate position of our own industry. The majority of our raw materials cannot be purchased in India, and even the large oil companies here so adjust their prices that the same thing can frequently be imported from England at the same rate as sold here, even though this oil goes from here to England first.

On the whole of the raw materials we import we pay duty at the rate of 11 per cent., whereas the manufactured article (*i. e.*, printing ink) comes in at a duty of 2½ per cent. only. You will readily see this is most unjust to the manufacturer here who is employing local labour and paying taxes.

Our firm alone can supply the whole of the printing ink used in India. Therefore we fail to see the reason why such a preference should be given to the foreign article.

We do not ask that the duty on our raw materials should be reduced, but we do think it is only justice to put the same duty on printing ink imported to this country.

In competition with home manufacturers we are always at a disadvantage of 8½ per cent., and if duties remain as they are we see no alternative but to close down our works here and export from our home branches.

We should be glad to have an opportunity of personally bringing our case before you. This industry although small is being strangled at its birth.

(ii)

Reference the questions sent by you with your letter of October 24th, 1921.

7514. *Q. 43.* Hooghly Ink Co., Ltd., was established in 1913 by the Richardson Printing Ink Co., Ltd., Gateshead, because of the expressed desire of Government to buy printing inks manufactured in India. The latter Company had for several years previously supplied Government requirements from their Home Factory.

7515. *Q. 44.* The chief advantage in manufacturing in this country is that freshly made printing ink can be supplied whereas imported stocks are apt to deteriorate.

7516. *Q. 46.* Our factory is as well equipped as any upto date Printing Ink Factory at home.

7517. *Q. 47.* At present practically our only market is India and Burma but we are beginning to supply the requirements of the Far East.

7518. *Q. 48.* Keen competition from the United Kingdom and recently an increased amount from America and Japan.

7519. *Q. 49.* The fact that all imported printing inks have to pay 2½ per cent. duty only, whereas all the materials with which they are made have to pay 11 per cent., places Indian manufactured printing inks at a disadvantage of 8½ per cent.

7520. *Q. 50.* We do not consider that the industry needs Protection, but we do consider that imported printing inks should pay 11 per cent. duty which is the amount we have to pay on all raw materials for their manufacture. It is necessary to import nearly all of these as they are not obtainable in India.

7521. *Q. 70.* *Carbon Black* } from America.
Rosin }

Indian Rosin is not suitable for the manufacture of printing inks.

Dry Colours from the United Kingdom, and pre-war from Germany.

In conclusion we hope the Commission will consider that ours is a reasonable case and will recommend that the duty on imported printing inks be increased from 2½ per cent. to 11 per cent.

Oral evidence of Mr. E. Richardson, Calcutta, the 5th January 1922.

7522. *President.*—*Q.* You are the Managing Director of the Hooghly Ink Company, Limited, Calcutta, and you deal with the manufacture of printing ink. Your head office is in England and this industry has been established by the Richardson Printing Ink Company, Limited.

A. Yes.

7523. *Q.* You say in your general statement that the majority of the raw materials that you happen to use cannot be produced in India and that even the large oil companies here so adjust their prices that the same thing can frequently be imported from England at the same rate. Can you give us further information on this point?

A. This is the case chiefly with linseed oil, but I think such people as the Burma Oil Company from whom we obtain supplies also base their prices very much on what the home price is at the time.

7524. *Q.* You say that the majority of your raw materials cannot be produced in India?

A. They are unobtainable in India, the majority of them—such a thing as I have put down in my written statement,

namely, Carbon Black is only obtainable in America. There is no other source of supply.

7525. *Q.* Is not rosin made in India?

A. Yes, it is made in India, but it is not suitable for our purposes. The Government Chemist tried to make one suitable for our requirements, but all his experiments proved to be failures.

7526. *Q.* Then your whole grievance I think is that, while you pay a duty of 11 per cent. on the imported materials from which you manufacture your ink, the manufactured article comes in at a duty of 2½ per cent?

A. That is the whole point.

7527. *Q.* I suppose you produce an equally good quality as the imported article?

A. Yes.

7528. *Q.* You have said that you can produce a sufficient supply to meet the entire needs of India.

A. We could easily do that.

7529. *Q.* Then, you think the present disadvantage under which your industry works is due to the tariff being fixed for revenue purposes?

A. Yes. I have asked that the rate of the imported printing ink should be put up to 11 per cent. but it would suit me just as well if the duty on all the materials we import was put down to 2½ per cent.

7530. *Q.* The present state of things is due to a uniform tariff for other purposes and this is the result?

A. Yes.

7531. *Q.* You meet with keen competition from the United Kingdom and recently an increased amount from America and Japan. But surely you have some natural advantages in India?

A. We have got cheap labour.

7532. *Q.* That is the only advantage you have? Then your raw materials must be costing you more here than where they were produced?

A. Yes.

7533. *Q.* But is the cost of labour so cheap as to give you the necessary advantage of successfully competing with those people?

A. I mean we are making a small profit here, but not enough to justify our continuing manufacture unless the duty is revised.

7534. *Q.* My point is that assuming your recommendation is adopted and 11 per cent. duty is imposed on the imported ink, then you would be on the same level so far as the tariff is concerned with the home manufacturers?

A. Yes.

7535. *Q.* It may be English, American or Japanese manufacturers?

A. We would be on the same footing.

7536. *Q.* But then the real difference would be that you get cheap labour; they have cheap raw materials?

A. Well, if this 11 per cent. duty was put on to imported printing ink we would be in the same position as far as materials are concerned and we would have the slight advantage of cheap labour, but labour in this manufacture is a small thing, the price of materials is everything.

7537. *Q.* Then this cannot be called an industry indigenous to India?

A. No.

7538. *Sir Maneckjee Dadabhoy.*—*Q.* How many Companies manufacture ink in India at present?

A. Besides ourselves there is an Indian Company but it is very small.

7539. *Q.* Your Company is British and worked by British people. The shareholders are British and the staff is also British?

A. Yes.

7540. *Q.* You have no competition in this country of any kind?

A. In a very small way.

7541. *Q.* In the absence of any competition in this country, do you not think it would be dangerous to give your Company a monopoly?

A. It would not be a monopoly, it would be only putting us on the same basis.

7542. *Q.* How?

A. Because we are at a disadvantage of 8½ per cent. It will not give us a monopoly by any means.

7543. *Q.* I think it will give you a monopoly when there is no other competition?

A. But we would still have outside competition.

7544. *Q.* You say your principal grievance is this duty of 11 per cent. on raw materials which you say handicaps your own industry. In these circumstances what special facilities have you in India to get these raw materials?

A. There are very few materials which are obtainable here. The colours which we use cannot be obtained at all in India; they might be made if a firm put up a factory here, but the demand is so small that it would not pay.

7545. *Q.* There is no facility for the manufacture of raw materials in this country. In view of that fact would it not be advisable to retain this 11 per cent. duty?

A. Well, I cannot see why we should be penalized to that extent: it is simply penalizing us. We came here at the suggestion of Government, we were aware then that there was no duty on printing ink. We presumed that if Government wished to encourage manufacturers in this country they would alter that duty, but when we applied to them the Finance Department turned down our application. We asked in that case to have the 5 per cent. taken off our materials.

7546. *Q.* Was this promise made?

A. No. We started this industry at the instance of Government and we supplied all the requirements of Government.

7547. *Q.* Are your reports published in this country?

A. No. We are a private limited company.

7548. *Q.* So we are not in a position to know what your company is making?

A. No.

7549. *Mr. Mant.*—*Q.* I suppose your inks are chiefly used for newspapers and book printing?

A. Yes.

7550. *Q.* If the duty on imported printing inks is raised to 11 per cent. then in that case at what price would you be selling your ink?

A. We would sell at the same price as we are doing at present.

7551. *Q.* If the duty is raised to 11 per cent. you would sell at the same rate as now?

A. Yes.

7552. *Q.* Why?

A. Because we would be on a level basis and would be able to accept business which we at present have to refuse as we cannot compete owing to the duty on materials.

7553. *Q.* Would it suit your purpose equally well if the duty on raw materials was reduced?

A. Yes, certainly.

7554. *Q.* I should like to know whether those materials are used for other purposes as well?

A. I should say very little. As regards rosin the bulk used out here is the Indian rosin. We cannot use it as it is unsuitable for our purposes. A certain amount of rosin is imported from America.

7555. *Q.* Would it be suitable if Government gave you a rebate of the duty paid on the raw materials?

A. Yes, that would suit me admirably. I only asked in this case that the duty on imported printing ink should be increased to 11 per cent. because last time when we asked for it the other way, *viz.*, for the duty to be taken off raw materials, the Finance Department turned it down.

7556. *Q.* If we were to give you a rebate on the raw materials which enter into your manufacture, I presume we would have to give a guarantee that such materials were only used in the manufacture of printing ink and there would have to be a check?

A. I would not have any objection to having our books checked. I would give every facility in that way.

7557. *Mr. Rhodes.*—*Q.* I gather from your evidence that you do not want any protection, but that there is protection to the foreigner against yourself?

A. Yes, that is so.

7558. *Q.* You do not care whether duty is put on everything or nothing?

A. What I want is to be on an equality.

7559. *Mr. Coyajee.*—*Q.* If only 50 per cent. of the total cost of production consists of raw material, then you pay 11 per cent. only on one-half of the value?

A. What I meant was 11 per cent. on the material.

7560. *Q.* Not 11 per cent on the value of the ink?

A. No.

Witness No. 52.

Professor GYAN CHAND, M.A., the Benares Hindu University, Benares.

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7561. That Indian public opinion is overwhelmingly protectionist is a view which is accepted by all students of our public questions. But this widespread faith in Protection as a means of the industrial development of the country does not arise from a dispassionate view of the economic situation. It is born of suspicion of an alien Government (which is believed to have made use of the fiscal machinery of the country to destroy the old indigenous industries and nip in the bud the growing ones) and the quickening of the national consciousness which in India, as in other countries, has strengthened the exclusive tendencies of national life. The passions aroused by the historical view of the question are imported into the current controversies and allowed to cloud the judgment. The result is that the people have come to have an undue faith in the efficacy of tariffs and other and more important requirements of efficient production do not receive adequate attention. Protection is supposed to be the sovereign remedy for all our economic ills and the absence of protective tariffs is made an excuse for industrial inertia and lack of enterprise. The other factors which have their root in the sociological condition of the country and retard its industrial development are left out of account and very little conscious effort is made to educate public opinion regarding their bearing on the economic well-being of the country. This attitude is unhealthy and focusses public attention on a very wrong point indeed. It is necessary to wean the public from this view of the question and for this, if for nothing else, it is worth while delaying the introduction of protective tariffs. The people have to be awakened to the need of economic re-organization and it has to be brought home that the only or even the most important means of realising this end is not the imposition of protective duties. It is the inherent tendency of the human mind to pine for what is not and because the Indians in the past have been denied the right of determining their national tariffs, they have come to believe that in withholding that right the ruling nation has been keeping back the only means of solving their economic difficulties. If, however, the Indians can be given an assurance that they will be free to devise any tariffs that the interest of the country may demand, they may learn to use that power with discrimination. Views differ as to how far the Indian Legislature is going to enjoy fiscal autonomy under the new constitution. There is a lurking suspicion that the fiscal policy of the country will, even in the new régime, be dictated from Whitehall, and it is this belief which is responsible for widespread demand for Protection (and the protests and deputations of Lancashire and other interested parties in England confirm that view). The sheer desire for self-assertion leads us to clamour for high import duties and the soundness or otherwise of the policy from the economic point of view is lost sight of. For the formulation of a sound economic policy it is necessary that the Government should do what it can to allay this popular distrust and make it unmistakably clear that in the determination of the fiscal policy of India it will be influenced by no other considerations than those of her own common weal. Unless this is done, it will be impossible to secure the atmosphere in which the question of fiscal policy of the country can be discussed from the point of view of the public well-being. This is the first requisite of working out a sound fiscal policy for the future.

In the current fiscal controversies the phrase "Free Trade" is used in various senses. Mr. J. Chamberlain has characterised Free Trade as "the negation of organization, of settled and consistent policy" and condemned it as being "the triumph of chance, the disordered and selfish competition of immediate individual interest without regard to the permanent welfare of the whole." Free Trade and the *Laissez-Faire* policy have in the past been considered inevitable concomitants of each other. In India the policy of the Government in industrial affairs has been one of strict non-intervention, and as the Industrial Commission pointed out, the absence of a definite and accepted policy has to no small extent been responsible for this low stage of the industrial development of the country. The Industrial Commission advocated the adoption of a positive attitude towards the economic evolution of the country and recognition of responsibility for promoting and regulating the industrial development of the people. This view has been accepted by the Government and by making industries a transferred subject it has shown that the policy of drift has been discarded for ever. This point, however, needs further emphasis. It is to be definitely pointed out that even if the Government makes use of customs duties merely for raising revenue, it does so, not because it does not want to interfere with the natural development of industries, but because there are other means which it considers more efficacious for the material advancement of the nation. It is too late in the day to adhere to the policy of letting things to take care of themselves. The protective tariffs may or may not be used for quickening the pace of industrial progress, but even if they are not used for that end it is to be definitely understood that faith in 'natural harmonies' is not the cause. The Government should not be wedded to the policy of "taxes for revenue only." Its readiness to make use of its taxing power for other purposes ought to be made abundantly clear. Whenever there is need for raising the customs duties to raise more revenue, the Finance Member should not speak in an apologetic strain and disavow any intention of 'protecting' the industries; and when the interests of the country clearly demand the imposition of a duty for establishing a domestic industry, the step should be boldly and fearlessly taken. The halting policy of trying to reconcile conflicting interests does not pay and gives a longer lease of life to the popular want of confidence in the good intentions of the Government.

In Western countries the policy of Protection has been advocated on various grounds. The Protectionists have been shifting their base very often. Sometimes it is the infant industry argument, at other times that of the national self-sufficiency. When the industries have out-grown the infant stage 'the high wages' argument has been pressed into service and retention of protective tariffs advocated for steadying the commercial conditions and securing the home market. In India, however, the one argument which is brought forward oftener than the others is the infant industries argument, though the desire to make India self-sufficient has always been in the background and given impetus to the agitation for the fiscal or voluntary Protection of industries in times of popular upheaval. The soundness of the infant industries argument is admitted by all economists. It is considered as an investment of capital in national education which brings rich returns in the future. Stress is laid on the advantage of acquired skill and organization and the temporary loss, the possibility of which is admitted, is incurred for the ultimate gain. For the success of this policy, it is necessary that only those industries should be selected for Protection which have a reasonable chance of standing on their own legs after a certain period and after the expiry of that period they should be exposed to the full blast of foreign competition to demonstrate the success of the policy. This has not been done in any country which has adopted a protective policy and the chances of the application of this crucial test are as remote in India, if not more so, as in other countries. The infant industries have the knack of remaining infants for ever and even when this argument ceases to have any

weight or validity, other specious reasons can be given for the continuance of a protective policy. That this danger is real and not imaginary is clear from the history of the cotton industry in India. The first cotton mill was erected near Budge-Budge in 1820 and the first mill in Bombay was erected in 1853 and since then the career of the cotton mill industry has been, in spite of some vicissitudes, one of unqualified success. The number of mills has risen from 58 in 1879-80 to 269 in 1917-18, the number of looms from 13,307 to 114,805 and that of spindles from 1,470,830 to 6,614,269. The total production of cloth has risen from 1,164 to 1,614 millions of yards from 1913-14 to 1917-18 and of late India has made appreciable progress in spinning yarn of higher counts. Though some allowance has to be made for the fact that the war afforded considerable protection to the Indian industries and the insignificance of recent progress is a little different from the progress of the pre-war years, the fact remains that the cotton mill industry in India is not an infant industry in any sense of the word. The experimental stage is long over. There is ample room for expansion and enterprise and an assured market for goods produced. The profits of the industry have been very high.

The figures given below speak for themselves.

Dividends earned by some Cotton Mills from 1911-18.

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Name of the Mill.	1911.	1912.	1913.	1914.	1915.	1916.	1917.	1918.
1. The Ahmedabad Advance Mills .	6	9	12	10	6	12	20	36
2. The Bombay Dyeing and Manufacturing Coy.	10	22	16	16	16	24	70·4	83·2
3. The Central Indian Weaving and Manufacturing Coy.	20	26	24	22	20	30	56	74
4. The Indore Malwa United Mills .	4	8	12	13	18	50	45	...
5. The K. M. Spinning and Weaving Mills.	6·5	8·5	11	9	8	15	32·5	85
6. The Kohinoor Milling Coy. . .	5	10	10	6	6	8	39	45
7. The M. K. Spinning and Weaving Mills.	10	11	11	10	11	10	15	15
8. Morarji Gokuldas Spinning and Weaving Coy.	20	12	17·5	15	11	8	12	25
9. The Sholapur Spinning and Weaving Coy.	25	22·5	30	15	30	30	42·5	100
10. The Swadeshi Mill Coy. . . .	10	9	24	22	16	19	30	58

These high dividends have been earned during the years when the cry against the iniquity of the countervailing excise duty has been as loud as ever. That the excise duty was imposed to undermine the growth of the rising factories in India is no argument for its abolition now. The later two successive increases of customs duty from 3½ per cent. to 7½ per cent. in 1917 and from 7½ per cent. to 11 per cent. in 1921 have been received with immense satisfaction in India. In the years of financial stringency the Finance Member left the excise duty untouched to placate the powerful Bombay interests. That these powerful combinations will, behind the tariff wall, promote their own private ends under the cover of public gain is almost certain and the Protection that we will get will be the sort of Protection which Mr. Gokhale condemned—the Protection "under which the powerful influences, combinations and interests receive assistance to the prejudice of the general community, the general tax-payer of the country."

With the growth of democratic institutions in India, the task of selecting those industries which have a fair chance of holding their own against foreign competition will become increasingly difficult. In Germany, France, and the United States of America it has been found impossible to frame what may be called a "scientific" tariff in the right sense of the word. The tariff schedules have always been the result of clumsy compromises between rival interests and the list of protective duties has been increased not with a view to develop native industries but because in order to give Protection to some industry it was necessary to bring so many others under its range which either did not need Protection or did not deserve it. The same will happen in India and the Legislature will become the battlefield of conflicting interests. The pernicious effect which this struggle will exercise over the development of the young democratic institutions and the public life of the country may endanger the very success of the new constitutional experiment. In the United States of America the democracy, in spite of the sordid selfish interests that have made their political elections a byeword for corruption and venality, has grown; but in India where traditions have still to be built up and healthy public life developed, this scramble for tariffs will vitiate the growth of right tradition and public life. A benevolent despot with the help of the technical experts or an intelligent bureaucracy with a tradition of devotion to duty, fixity of purpose, detached judgment and integrity may be able to give public aid to those manufactures which possess the latent power of growth and encouragement to those who pioneer the way; but a democracy, particularly a democracy in the making, must send its roots to the very foundation of Society before it can afford to bring these selfish interests into play and regulate their course in the interests of public welfare. The day of bureaucracy in India is not over, but in the future it will be increasingly called upon to conform to popular prejudices and desires, and in matters of industries particularly its good faith will always be questioned if it chooses to stand against the wishes of the people. The bureaucracy, in order to play the rôle of the pilot in the industrial development of the country, must be above suspicion, but the British bureaucracy in India, on account of its foreign personnel and past antecedents, neither is nor deserves to be.

Protection, in the case of a country like India, has another drawback which has to be provided against. The danger of the foreign or the British industrial firms establishing themselves under the shelter of the tariff wall is real. The scarcity of capital and want of great industrial leaders will handicap the Indians for some time to come. Capital is proverbially fluid. It flows where there are profits to be had. Among the forces that have sustained the demand or Protection in England

the apprehension created by the outflow of capital is one of the most powerful. This tendency is likely to continue unabated. With labour troubles and socialistic schemes of nationalization in the air, capital will probably migrate to pastures new and India, more than any other country, is likely to be chosen as the new sphere of its activity. In India many of our principal industries are already in the hands of the foreigners and if they monopolize many more as a result of raising of the tariff wall, they will make matters worse for the Indians; and it will be exceedingly difficult to beat them in our own country. The movement if it once sets in will bring powerful vested interests into existence. They will eventually increase the volume of what has been called the 'drain' in the past and in other ways create difficulties in the way of all-round national progress. The Indians will not get scope for the development and exercise of their business ability. The foreigners will acquire power which the capitalists possess in all lands and exercise it in a way which will be inimical to the interest of the country. If Protection merely means that the manufacturer who competes with us from a distance would transfer his activities to India and compete with us within our own boundaries, the change as Sir William Clark pointed out in his speech in the late supreme Legislative Council, will not contribute to the solution of our economic problem. New difficulties and complications will arise which will tax the resources of our politicians and statesmen to the utmost. It will be impossible to devise any arrangement under which foreign firms may not be allowed to establish themselves here.

The above arguments do not constitute a plea for inaction. The Indian industries do require the fostering care of the State. But the use of protective duties for this purpose is attended with serious drawbacks which have to be taken into account if the right kind of Protection is to be introduced. The State can help the industries in a number of other ways. The Industrial Commission has suggested some, and new ways can be found out after a thorough industrial survey of the country. The use of duties for the Protection of industries is not to be banned. When absolutely necessary they ought to be levied. But they ought to be very sparingly used. When other means of developing the industries prove futile and the risks of embarking upon a policy of Protection have been minimised, tariffs may be imposed. They, however, should be the last and not the first resource. They may have to be made use of for non-economic reasons. In such cases again, there should not be any difficulty in utilizing them for our needs. But in every case they should be used with very great discrimination. They have far-reaching incidental effects which may be of far greater importance than those which we want to produce.

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Answers to some of the principal questions have been given above. Brief answers to some other questions are appended below.

7562. *Q.* 1. India can not do without the imposition of the customs for obtaining revenue. They have been a source of growing revenues for the last ten years and in the immediate future, when India will have to tap every source of revenue, she cannot afford to dispense with customs duties.

7563. *Q.* 2. The answer to this question depends upon the view that one takes of the stage of political education of the country. Direct taxes are more unpopular than the customs, but I believe that the possibilities of direct taxes have not been fully exploited and for any fresh taxation attempt should be made to get more out of direct taxes.

7564. *Q.* 5. The effect of the existing tariff policy has been to destroy the handicrafts for which India has been known from times immemorial. If the Government had taken a better view of their duty, they could have been re-organised and saved from destruction. The mischief that has been done cannot be undone and though individual cases are entitled to sympathetic consideration, the continuance of the present policy cannot make things worse for them.

7565. *Q.* 6 & 7. An excise duty should be levied on an industry which has reached the stage of maturity and has nothing to fear from foreign competition. The cotton mill industry has been dealt with above and presents a case for the imposition of the countervailing excise duty. This industry does not need any Protection and should not get it. The State is foregoing a very important source of revenue in not imposing an equivalent excise duty on this industry.

7566. *Q.* 11, 12, 13, & 14. Protection, when it is made use of for industrial development, should be strictly confined to certain selected industries which hold out a promise of being able to do without public aid after some time. Those industries for which India has got her own supply of raw materials and home-market should be selected for Protection. The industries which have a chance of being put on the competitive basis after some time are leather, sugar, glass, matches, iron and steel, paper, soap and shipping.

7567. *Q.* 15. The cases referred to in this question point to a clear need for Protection. The only way of ascertaining the exact facts is to keep a vigilant watch upon the commercial and industrial policy of other countries. The commercial attachés of His Majesty's Consulates in different countries should keep themselves in touch with the industrial life and policy of the country they are living in, and information of any measure or policy which is likely to affect Indian economic interests unfavourably should be communicated by them to the Government of India. The effect of foreign subsidies, etc., can be off-set by the imposition of countervailing duties. But the cry of malignant underselling is often raised by those who do not want to face foreign competition. A careful scrutiny of each case is necessary before any steps are taken to meet the requirements of the situation.

7568. *Q.* 16. The State should make a vigorous effort to revive or keep alive the hand industries which have been hit hard by foreign competition. The factory system has been responsible for very serious evils and its introduction into India has not been and will not be an unmixed good. The futility of protective duties to save these industries from extinction has been established and therefore it is desirable that the State should extend its helping hand in some other form. More efficient organization for buying and selling, the use of improved instruments of production and use of electric motor power will probably enable these industries to compete with the factory made goods. But further investigation in this field is necessary for formulating a definite State policy.

7569. *Q.* 20. The import duty, if it is to be protective, must raise the prices of commodities or it will fail to produce the desired effect. There are cases when the foreign manufacturer bears part or whole of the tax. But unless the demand for the commodity is absolutely inelastic, and no other market is available, the chances of manufacturers bearing the burden are very remote indeed. In certain cases it is possible that the price of certain commodities may rise by more than the amount of the tax. In any case, if the import duty is not passed on to the consumer, the nascent industries will not be benefited by it.

7570. *Q.* 21. Whether the rise in price is permanent or temporary depends upon the industries protected. Those industries for the establishment of which the country is potentially fit, should, after a certain period, be able to lower the prices and sell things as cheaply as foreign producers can do. But as it is very unlikely that only such industries will receive Protection the probability is that the cost of production and consequently the cost of living will be permanently raised on account of protective duties.

7571. *Q.* 24. The effect of an increase in the prices on various classes cannot be foretold with any degree of precision. If industries for the carrying on of which the country possesses comparative advantage and the labour is therefore effective, are brought into existence by Protection, the rise in the wages of the industrial wage-earners will probably more than cover the increased cost of living. These industries will acquire a dominant position and set the standard for other industries. The wages of the agricultural labourers will consequently rise, but how much one cannot say. The earnings of the middle classes will probably also rise as the growth of industry will increase the demand for their services and the rise will be sufficient to cover the increase in the cost of living. These conclusions, however, are based on certain theoretical considerations and it is almost impossible to say how the different classes are going to be affected by the policy of Protection.

7572. *Q.* 25. The object of the policy of Protection being to produce those things which are now being imported, the necessary effect of Protection in the beginning will be to reduce both exports and imports. It is, however, possible that the purchasing power of the country, *viz.*, the national income, may increase on account of the encouragement of the old and development of new industries and later on the demand for foreign goods spring up and the foreign trade increase.

7573. *Q.* 26. Most of the commodities which India exports, or is likely to export in the near future, are such that other countries badly require and will continue to require in the future. The use of the tariff for the purpose of negotiation and bargaining will not be necessary. It is in the interest of India to keep out of tariff wars. If she is once involved in these complications, she will find it very difficult to get out of them.

7574. *Q.* 30, 31 & 32. Export duties should as far as possible be confined to raising revenue. If they are used for the retention of the raw materials for purposes of manufacture, it will give rise to unwholesome friction between the agricultural and the manufacturing interests. As it is, the agricultural interests are not well organized and therefore it is possible that this contingency may not arise for some time to come, but it does not require much prescience to foretell that before long things will change. Already, in some provinces, the rural and urban interests are ranged against each other and the use of export duties in the interest of manufactures will accentuate such tendencies. In a country like India, where the national solidarity is still growing, the use of tariffs which involves sacrifice for certain industries in order that others may thrive is a bad national policy. The manufacturing industries should compete with the foreigners for the available supply of raw materials and receive assistance from the State in other ways if they really need it.

As a rule export duties fall on the home producers. But it is possible that when the country possesses a monopoly of the production of a particular commodity and the demand for that commodity is inelastic, the foreigner may be made to pay the whole or part of the export duty. But such cases are few and the imposition of an export duty which falls on the foreigner tends to bring the potential sources of supply into the market. The Jute industry is perhaps the only industry in India which to a certain extent is placed in that favourable position. But its position is not unassailable and invention of artificial substitute is quite feasible. It is very difficult for any country to levy a tribute on the foreign countries by the use of tariffs.

7575. *Q.* 33. It should be the normal policy of the country to export foodstuffs and nothing should be done to discourage their export (Care, however, should be taken to enable the cultivators to be benefited by the rise in the price of their products. Under the present circumstances the village Bania and the big exporting firms are the chief gainers). In years of scarcity the export duty, determined by the sliding scale of domestic prices, should be levied on the foodstuffs in the interest of the home consumers.

7576. Imperial Preference, being a device to knit the different parts of the Empire into a closer union by creating common economic interests, will defeat its own purpose if India runs the risk of incurring appreciable economic loss by the adoption of this policy. Under the present circumstances, India has not much to gain and a great deal to lose by the policy of Imperial Preference. The reasons for holding this view are given in an article which the writer contributed to the August issue of the *Hindustan Review* from which the following extracts are quoted which embody replies to the questions of the Commission.

"The Government of India, in their Despatch No. 324, dated Simla, the 22nd October, 1903, examined the condition of Indian trade and finance and came to the conclusion that it would not be to the advantage of India to participate in any scheme of preferential duties within the Empire. They then held that it was unlikely that any advantages could be secured to the Indian trade and based their conclusion on the following arguments. They quoted the figures for the foreign trade of India for the year 1902-1903 and pointed out that about three-fourths of the total imports came from the British Empire and the remaining one-fourth consisted of articles which the Empire was not in a favourable position to supply. As regards our exports, 59 per cent. of our exports were in that year sent to foreign countries and the rest to the Empire. Further, it was stated that India being a debtor country it was a question of paramount importance for her to maintain a favourable balance of trade—*i.e.*, export more than import—in order to discharge her obligations; and as the principal customers were situated outside the British Empire, it was not in the interest of India to adopt a fiscal policy which might adversely affect her exports to foreign countries. The Indian exports to the value of half of the exports were admitted free of duty in the consuming markets and of the remainder, a considerable portion was subject to very moderate duties. It was therefore contended that India enjoyed a very large measure of the advantage of free import and export—an advantage she was likely to lose by embarking upon a policy which might provoke reprisals by foreign countries and make it difficult for her to maintain a favourable balance of trade. Their conclusion was that "if the matter is regarded exclusively from the economic standpoint, India has something but not very much to offer to the Empire but she has very little to gain in return and that she has a great deal to lose or to risk". This was the opinion of the Government of India eighteen years ago. Since then much has happened. The political and economic conditions have vastly changed. The matter may now be reconsidered in view of the changed conditions and if the examination of the trade statistics of the later years reveal a change in the direction of trade, a change in the fiscal policy may be necessary.

If we take the figures of 1913-14—the last pre-war year—we find that out of the total imports of Rs. 21,997 lakhs the value of the imports from the Empire comes to Rs. 15,776 lakhs. This gives us a share of 70 per cent. for the Empire. Our exports in the same year were valued at 25,596 lakhs out of which the share of the Empire was Rs. 10,004 lakhs. The percentage share of the Empire works up to 37·8 per cent. These figures speak for themselves. The position remained what it was in 1903, *i.e.*, India imported chiefly from the British Empire and exported to countries outside the British Empire. All the arguments which were used against the inclusion of India in any scheme of preferential tariffs had as much weight in 1915 as they had in 1903, for India could not gain anything by discriminating against countries outside the British Empire as her exports to those countries were very much in excess of imports from those countries, and if they retaliated, the results would be disastrous. The figures for 1913-14 have been quoted in order to show that during the decade ending 1913-14, the direction of the foreign trade of India did not undergo any material change. The year 1913-14 presented no exceptional disturbing features and may, therefore, be taken as a typical year for our purpose.

During the war the United Kingdom did not maintain its pre-eminently commanding position in our foreign trade on account of her other pre-occupations and Japan and United States made headway. But in 1919-20, the first financial year after the conclusion of hostilities, the United Kingdom again recovered her lost position to a certain extent and her share in our imports which during 1918-19 had fallen to 45 per cent. rose to 51 per cent., which from the point of view of the United Kingdom is quite satisfactory when we take into account the numerous circumstances which retarded a return to normal conditions. The normal relations have not yet been established. The world is still ringing with the echoes of war and the forces that it has let loose are dislocating the economic life of the nations. Making due allowance for the uncertainties of the world situation, the tendencies which the trade figures reveal point to the conclusion that Great Britain will before long regain her pre-war trade supremacy. It is very likely that we will go on importing chiefly from the British Empire and exporting to countries outside the British Empire. Our international obligations are very much higher to-day than they were in 1903, and the needs for maintaining a favourable balance of trade as imperative as ever. It is absolutely necessary for us "to stimulate our exports by every means in our power, to seek new

markets and develop old ones and to remove all obstacles which stand in the way of growing external demand." This we will not be able to do if we embark upon a policy of prohibitions and preference.

Here we must guard against another error of policy which we are likely to commit if we muddle things through Mr. Sastri is reported to have said that he would not object to India being party to a reciprocity agreement with Great Britain, the assumption being that as the Colonies close their doors against the Indians and the mother country does not, there is no need of adopting an unfriendly attitude towards the latter. This is a wrong view of the matter and its acceptance will commit us to a course which will be inimical to the best interests of our country. The bulk of our imports from the British Empire consists of imports from the United Kingdom herself and of the exports a very large portion is sent to that country. The Colonies do not count for much in our foreign trade and we cannot affect them to any appreciable extent by adopting a friendly or unfriendly attitude towards them. In 1913-1914 the share of the United Kingdom of our total imports from the British Empire was 64 per cent. out of 70 per cent. and of exports 23·7 per cent. out of 38 per cent. In 1919-1920 in spite of the abnormal conditions, out of the total imports of 61 per cent. from the British Empire, 51 per cent. came from the United Kingdom and about 30 per cent. out of 44 per cent. of our exports to the British Empire were sent to the United Kingdom. The writer is not a believer in the efficacy of Protection as a panacea for our economic ills, but if a tariff wall is at all needed to foster the growth of our nascent industries, it should at least be as high against the United Kingdom as any other country of the world. Whether the United Kingdom is entitled to any gratitude on our part or not does not affect the issue. It is a bad economic policy to give preference to the British Empire in our markets, worse if we discriminate in favour of the manufacturers of the United Kingdom who are by far the most formidable competitors that our infant industries will have to face for a very long time to come. We might have been badly treated by Great British in our fiscal affairs in the past, but our disinclination to show special favour to her industries need not arise from our desire to pay off our old scores. The economic interest of our country requires that we should not differentiate in favour of the United Kingdom.

Oral evidence, Calcutta, the 5th January 1922.

7576(*a*). *President—Q.* You are the Professor of Economics in the Benares Hindu University ?

A. Yes.

7577. *Q.* Have you any practical experience of business ?

A. No.

7578. *Q.* These are your theoretical views ?

A. Yes, as a student of economics.

7579. *Q.* I should be glad if you could tell me very briefly what your view is in regard to the fiscal policy which India should adopt ?

A. The first thing that I should like to lay stress on is that the fiscal policy of India should be framed in the interest of India, and that no other interest should be taken into account. The second point that I refer to is that protection should be given just to foster the infant industries, but the initiation of this policy will be accompanied by a number of drawbacks which we have to take into account. We in India are likely to put implicit faith in the efficacy of Protection for the development of Indian industries. I am afraid we are exaggerating its effect on the industrial development of the country and I think that we should look at things from a more comprehensive point of view. Tariff protection can certainly do some good, but, in India, under the present circumstances, though I do not want Protection to be banned, I am at the same time not very enthusiastic about tariff protection. I should like the State to give protection to industries in a number of ways, but tariff protection should as far as possible be avoided. As I said it must be our last and not the first resource.

7580. *Q.* Your policy for the development of industries would be (1) expert advice, (2) assistance from the State, (3) cheap capital, (4) suitable and cheap communications, (5) if necessary, subsidies and bounties, and, only then, tariff protection ?

A. Yes.

7581. *Q.* Now, may I enquire whether you have considered that expert advice will cost us a lot of money ?

A. Yes, I know.

7582. *Q.* With regard to cheap labour, I should like you to explain how Government is to provide it. If, at all events, Government borrows at a high rate, it will cause Government some loss ?

A. The credit of Government stands high and they can borrow cheaper than what private individuals can.

7583. *Q.* Then they should do the banking business of borrowing ?

A. Yes.

7584. *Q.* And give cheap capital in that way ?

A. Yes, to the industries that ought to be developed in India.

7585. *Q.* That would cause Government some loss ?

A. Not very heavy loss, but still it may involve some outlay.

7586. *Q.* Cheap communications will also entail some loss ?

A. They can be made to pay their own way without contributing to the cost of the State.

7587. *Q.* They should be worked on a cost basis ?

A. Yes, as far as possible.

7588. *Q.* "As far as possible" because we want to attain a definite object and in order to attain that object, some loss may have to be incurred ?

A. It is quite possible that some loss may be incurred, but it is not inevitable.

7589. *Q.* Subsidies and bounties,—that will mean expense. I suppose expert advice should be on a sufficient scale to be serviceable for the development of industries. Then you want cheap capital to be provided. Do you realise that the capacity of Government for borrowing is not unlimited ? Expert advice, cheap capital, cheap communications and subsidies and bounties will mean money. Where can Government get the money ? Can you suggest any means ?

A. I have considered it, but I cannot now give all the means. Retrenchment in certain cases,—that is one thing. Then certain new sources of revenue may be tapped. Sometimes duties may be raised for revenue, but their object should not be to give Protection. Incidentally they may be protective.

7590. *Q.* I cannot see how you justify your objection to tariff protection, when you say that you are entirely in favour of Protection to industries. I suppose your only objection is as regards the means of Protection, but that on the general question of Protection you are in favour of granting Protection for the development of industries ?

A. Yes.

7591. *Q.* What are your strong objections to Protection by means of tariffs ?

A. I have pointed out in the note that it is easy to impose tariff duties, but it is very difficult to remove them. That is one experience which other countries,—Germany, the United States of America and other protectionist countries,—have taught us. It is very difficult to frame what is called a scientific tariff. As I have said, it is always the result of clumsy compromises. What the economists call a scientific tariff is a thing which is never carried out in practice.

7592. *Q.* Then you say that the establishment of foreign firms behind the protective wall is a very great danger and should be avoided as far as possible ?

A. They will in any way establish themselves, but we should do nothing to accelerate that tendency. They have already monopolised so many industries that we cannot contemplate with equanimity their having all the commercial and industrial power in the country.

7593. *Q.* I will deal with your objections one by one : they are very interesting. Do you say that the form of Protection that you have advocated, namely expert advice, cheap capital, cheap communications, subsidies and bounties, should be exclusively reserved for Indian firms

and should not be given to non-Indian firms? Have I understood you correctly when I take it that you object to the establishment of industries by foreigners?

A. I do object to the establishment of industries in India by foreigners.

7594. *Q.* And you think that the imposition of protective tariffs would help these foreigners to come and establish themselves in India and get greater control of its trade, commerce and industries than they have now, and you think that it is dangerous and ought to be discouraged?

A. Yes.

7595. *Q.* And for that purpose you oppose the imposition of tariffs and recommend these other methods for the development of Indian industries?

A. Yes.

7596. *Q.* Namely, expert advice, cheap capital, cheap communications, subsidies and bounties?

A. Yes.

7597. *Q.* Then, following logically that argument, would you object to the Government giving any concessions in regard to these four items to foreign firms?

A. Well, certain concessions cannot be made exclusively, *e.g.*, expert advice. If certain notes are published by the Government they will attract public attention, and all, whether foreigners or Indians, can read them.

7598. *Q.* I do not contemplate public expert advice, but special expert advice.

A. I do not think we can exclusively confine it to Indians. But as regards subsidies and bounties they should be given only to Indian firms.

7599. *Q.* Cheap capital?

A. As far as possible I would confine it to the Indians. I would not let the State extend any kind of assistance to foreign firms in India in any definite way to enable them to get a foothold in India.

7600. *Q.* Your policy would be to gradually eliminate the foreign industrialists from the country?

A. I would not in any way use the pruning knife.

7601. *Q.* No, but gradually in course of time, by extending these special concessions only to Indians?

A. If Indian firms come to the forefront and foreign firms have a secondary place, I will have no objection. As it is the Indians are nowhere. Therefore I would object to the further establishment of foreign firms in India. I would not in any way eliminate them, but I will not increase the foreign firms.

7602. *Sir Edgar Holberton—Q.* What really is your objection to the foreigner bringing capital into this country and starting industries?

A. Well, you know very well that in every country the principal industries are in the hands of the natives of that country, and if the foreign capitalists and industrialists try to acquire predominance the Government takes action against the denationalisation of industries. That is what they have done in any number of countries. I believe that the foreign commercial firms have not exercised a wholesome influence in the national life of this country, and their increased power will be used in a way which will not be beneficial to the country.

7603. *Q.* By foreign firms, you mean British firms?

A. Well, as it is most of the firms are British, but the Japanese and Americans are making plans for establishment and they have already established some industries in view of the protection which they think is coming.

7604. *Q.* Can you give me any instance of British firms having had a bad influence on the national character of the country?

A. You know very well that before the Reforms it is the British firms who said that they had sunk their capital in the country thinking that British control would not be withdrawn. They fought tooth and nail against the grant of any constitutional reforms. I am afraid the political progress of the country will be hampered considerably if these foreigners have an upper hand in the industrial life of the country, because it will mean money and power for them and they will use it for their own purpose.

7605. *Q.* So, we really come down to the fact that your objection is political and not economic?

A. Well, we cannot leave out political considerations.

7606. *Q.* You have not given me any economic reasons.

A. I have not any economic objections against foreign firms establishing themselves in the country.

7607. *Q.* Your objection is purely political and I do not propose to discuss politics with you.

President—He is advocating fiscal measures in consonance with his political views.

Sir Edgar Holberton—That is what it comes to.

7608. *Q.* Now, with reference to your definite answers to the questionnaire, are you or are you not in favour of direct taxation?

A. I consider that in the present circumstances, direct taxation will be very unpopular. After a short while, when things settle down, direct taxation will have to be imposed and ought to be imposed.

7609. *Q.* But would you rule out a tax because it is unpopular?

A. We have got to take into account the political temper of the people, and if direct taxes are imposed just now they will make things worse.

7610. *Q.* In what way?

A. The imposition of direct taxation can be made use of for fomenting discontent and distrust of the Government. Already there is a lot of discontent in the country and that discontent will become greater *just in the immediate future.* I ought to lay emphasis on "the immediate future." Otherwise, I am in favour of direct taxation.

7610*a*. *Sir Montagu Webb—Q.* In answer to the President, you have laid stress on the disadvantage of a policy of Protection because it might encourage the establishment of foreigners in India?

A. Yes.

7611. *Q.* Your policy of indirect protection will mean expense?

A. It certainly means some expense, but at the same time that expense is a kind of investment.

7612. *Q.* The underlying argument in favour of Free Trade is that it enables economic progress to be made most economically?

A. Yes, I know that argument.

7613. *Q.* Do I understand that your argument against Protection is based not so much on economic as on political considerations?

A. Well, both economic and political considerations have been brought to bear. I do not say it is more political than economic. I have to take into consideration the political aspect also.

7614. *Q.* You recognise that a policy of Protection will be calculated to encourage the growth of industries in this country?

A. Well, I cannot say anything about it, but my own idea is that we exaggerate the importance of indirect Protection to the industries of the country. I would prefer that the State should give assistance in other ways which will be more suitable. I am not very optimistic about the industrial future of the country if we are to rely on tariff protection.

7615. *Q.* You think, I understand, that industrial advancement will be better achieved by the direct assistance which you have explained to the President?

A. Yes.

7616. *Q.* And I take it that your view is that the assistance given in that way would cost the country less than the assistance given in the form of protective duties?

A. I do not say whether it will cost less money, but a number of drawbacks which accompany Protection will be avoided. I cannot exactly say whether one will cost more than the other.

7617. *Q.* Do not the results of your economic studies bring you to the conclusion that one way is more expensive than the other?

A. Well, in the present circumstances, taking every thing into account, I would prefer a direct to an indirect form of Protection.

7618. *Mr. Coyajee—Q.* I take it that in your view, of all the causes of industrial progress, fiscal policy is the least important? You say "people have come to have an undue faith in the efficacy of tariffs."

A. It certainly is not the most important.

7619. *Q.* Also you think the effect of Protection depends on the psychology of the race, according as the nation is conservative or full of initiative?

A. I do think that maritime nations like Germany owe their progress to national qualities and not to Protection.

7620. *Q.* In the case of other countries, if industrial progress is lacking will Protection accelerate the progress ?

A. Protection should not be the first, it should be the very last resort.

7621. *Q.* How would you determine whether the State should assist a particular industry by direct help or by Protection ?

A. I would like the State to try direct help in the first instance : if the experiment is a failure and if there is a possibility of the industry progressing in India then Protection may be tried.

7622. *Q.* An important personage has stated that subsidies should be given in the infant stage, that when the industry is developed to a certain extent then tariff might be imposed, and when the tariff is not necessary to prop that industry it should be taken off. What is your view ?

A. I personally believe that when Protection is extended to the infant industries it is seldom discontinued. I would prefer the State should give assistance rather in a direct way than by protective duties.

7623. *Q.* In any case, you would have an intermixture of Protection, direct and indirect ?

A. I would rely more on the direct than the indirect form of Protection.

7624. *Q.* You say " For the success of this policy it is necessary that only those industries should be selected for Protection which have a reasonable chance of standing on their own legs." That is one case in which you will give Protection ?

A. That is the only case in which you can give Protection from an economic point of view.

7625. *Q.* Would you have key industries ?

A. " Key industries " is a very elastic term. All industries are interdependent, and it is not quite safe to say which is a key industry and which is not.

7626. *Q.* You are against giving Protection to the cotton industry ?

A. I certainly think that it is not an infant industry. I want Protection to be given only to infant industries.

7627. *Q.* It has been argued that provided Protection is given we can manufacture the entire raw produce of the country ?

A. The chief difficulty in the way of the cotton industry is one of capital, and fiscal protection is not going to create capital. They are now earning high dividends, and there is no need for Protection.

7628. *Q.* That is at present but in the near future ?

A. In any case Mr. Wadia may be expected to know something, and he says that there is a long spell of prosperity in view for this industry.

7629. *Q.* Coming to your answer to Questions Nos. 30, 31 and 32, you think that the use of export duties for protectionist purposes is likely to create a sort of friction between town and country?

A. Well, as I say, the rural interests are not well organised, but in the very near future they will be, and the imposition of export duties will lead to a gulf between the two interests. In the United Provinces and in the Punjab, I believe that the imposition of export duties in the near future will accentuate this tendency.

7630. *Mr. Seshagiri Ayyer—Q.* At the very beginning of your general remarks you say " The other factors which have their root in the sociological condition of the country and retard its industrial development are left out of account and very little conscious effort is made to educate the public opinion regarding their bearing on the economic well-being of the country." That is, you are trying to meet the heretical opinions of those who are arguing for Protection ?

A. I only mean to say that we make so much of fiscal Protection that we leave out of consideration other and more important factors.

7631. *Q.* In civilised countries like Germany, the United States and Canada the same process has been gone through : were they neglecting the sociological considerations and preying upon the ignorance of the public ?

A. There too they have made use of popular war cries and catch words for introducing Protection. What I mean to say is : because an alien Government has not given us fiscal autonomy we have come to have an undue faith in fiscal protection.

7632. *Q.* In those countries which adopted Protection,—United States, Germany and Canada,—were the same processes apparent, which you cry against in this country ?

A. The situation was different.

7633. *Q.* Then, how did they adopt Protection ?

A. In Germany it was adopted on account of the spur of financial necessity. Bismarck introduced Protection because he wanted more money.

7634. *Q.* And what has been the result of it ?

A. Industrial progress has taken place, but not exclusively due to protection.

7635. *Q.* Would you put it that if free trade had been introduced there would have been more progress ?

A. I would not put it so. In the United States Protection has had a very injurious influence on social life.

7636. *Q.* We are not concerned with social conditions. We are concerned about industrial development.

A. One or two industries have been developed, but most of the industries have not been developed on this account. The effect of Protection on industrial development of the United States of America is exaggerated.

7637. *Q.* Your theory is that it is not true that both Germany and the United States prospered on account of Protection ?

A. I believe it is not true. It is not entirely due to it. It has played a part, but a very secondary part in the industrial development of that country. To a certain extent it may have helped industrial development, but there are other important factors.

7638. *Q.* Don't you think that Protection is more necessary in this country than in Germany and the United States? We are a large continent ; we have a large population ; and our raw materials to a great extent are exported as such and re-imported in the shape of finished articles. If Protection were given don't you think that it would have the effect of retaining these raw materials in this country and so enable our people to turn out the finished articles ?

A. I believe that our industries need assistance, but as I have advocated, I would like the State to give assistance indirectly in other ways than fiscal.

7639. *Q.* Are there any other forms of Protection ?

A. I am not objecting to other forms of Protection.

7640. *Q.* You object to tariff protection but not to other forms, for example pioneering of industries by Government ?

A. Yes.

7641. *Q.* Don't you think that there should be alternatives ? In certain places you can give Protection and in certain other places, you must have substitutes such as you have referred to ?

A. As I have said, these should be given preference. If they fail and an industry is likly to prosper in India, then Protection may be given and its dangers guarded against.

7642. *Q.* I do not quite follow you. You say that " The infant industries have the knack of remaining infants for ever and even when this argument ceases to have any weight or validity other specious reasons can be given for the continuance of protective policy." Then you instance the case of the cotton industry. Is it your opinion that so far as the cotton industry is concerned, the time limit has ceased and that Protection should no longer be given ?

A. I definitely say it in so many words.

7643. *Q.* It was pointed out to us this morning that, having regard to the size of the country and to the requirements of the population, if we give Protection, it would have the effect of inducing more men to establish mills and the result will be to the good of the country. What do you say in reference to that ?

A. I have already pointed out that they have been earning very high dividends, and if Protection is imposed, it will be with a view to raise prices.

7644. *Q.* To some extent it would ?

A. In order that higher dividends may be earned.

7645. *Q.* Not necessarily ?

A. Certainly.

7646. *Q.* Supposing for example these Bombay mill owners have earned dividends, the result would be that men in Madras would be inclined to establish mills in their part of the country and the further result will be that all over the country there will be a large number of mills, which would give the necessary cloth to the population of India.

A. I know that mills established in the very first year of existence without any fiscal protection have been earning dividends of 70 per cent.

7647. *Q.* I think you are wrong.

A. I am not in contact with the cotton industry, still the figures given there show that they have been earning dividends of 70 per cent.

7648. *Q.* Before the war ?

A. During the war.

7649. *Q.* In normal times, when Lancashire competed with India, was it not a fact the cotton industry was in a very bad condition ?

A. It was certainly not in a very bad condition. Even then the firms were earning, 22, 16 and 10 per cent. Ten per cent. is quite enough for a firm.

7650. *Q.* Have you compared the earnings made by Lancashire and Manchester ?

A. If Lancashire is earning more and taxing the country I would not like our country to be taxed for the benefit of mill owners.

7651. *Q.* You would rather like to see the extra profits go to Lancashire ?

A. I would not, but I know that the difficulty in the way of expansion of the cotton industry is not because they cannot establish themselves, but because they have not got capital and because they have not got, if you will excuse me, enterprise.

7652. *Mr. Rhodes—Q.* You have told us that you do not believe that there is such a thing as a scientific tariff ?

A. Yes. There is such a thing as a scientific tariff in theory but not in practice.

7653. *Q.* We had before us a gentleman to-day who complained that the ingredients of his manufacture, *viz.*, printers ink, came in at 11 per cent. duty, while the manufactured thing, printers ink, came in at 2½ per cent. duty; so that there was a preference given to the foreign manufacturer of 8½ per cent. If you admit that we have to put on duties for revenue purposes, would you arrange those duties on a standardised basis or would you differentiate ?

A. I will take each case into account and treat it on its own merits. As a rule it should be a general tariff duty, and exceptions should be made in certain cases.

7654. *Q.* You prefer a general tariff rate with exceptions ?

A. Yes. because that is more convenient and easy to calculate.

7655. *Q.* I want to deal with the question that Sir Edgar Holberton dealt with. As regards the industrial development of the country, you are afraid that if it is unduly encouraged by Protection, it will mean an influx of foreign firms and capital and you would rather go slow.

A. I do not want the country to be industrialised at a slow rate. I want to industrialise the country as soon as possible. At the same time I do not want foreign capital to have a predominant position.

7656. *Q.* I will take a particular case. The jute industry of Bengal is our leading industry in Calcutta ?

A. Yes.

7657. *Q.* You regard that as a boon to the country ?

A. It has been a mixed boon, if a boon at all. The jute mill owners have been using their power not in the interests of the country. All the jute mills are due to their enterprise and our thanks are due to them, but at the same time the way in which they have ranged themselves against national aspirations and are likely to range in the near future is to be regretted.

7658. *Q.* Can you instance a case like that ?

A. I have told you already that the Chambers of Commerce fought tooth and nail against the introduction of the reforms, and I am quite certain that any further step in the political advancement of the country will be a thing which will be unwelcome to these mill owners.

7659. *Q.* Some of the mill owners take a very prominent part in making the reforms a success ?

A. I admit that they are shrewd business men and are making the best of a bad bargain. At the same time I think that the political situation is such that they have got to do it.

7660. *Q.* The jute industry of Bengal is the point which I want to have your views on. The growing of jute is in the hands of Bengalees, but the business of collection of jute and selling is very largely in the hands of the aliens. You are aware that the industry is very largely in the hands of Scotchmen. I would like to know how you view that industry, what changes you would like to make in it, and under what circumstances you think the industry should be left entirely in the hands of Bengalees ?

A. It has not gone into the hands of Indians. I do not know whether I have understood your question correctly. The reason why it has not gone to Indians is lack of enterprise.

7661. *Q.* The Bengalee, you are aware, has a very great interest in the industry.

A. If the Bengalees have been contributing to the companies floated by foreigners it is because they have more faith in the business capacity of the foreigners than that of the Bengalees.

7662. *Q.* Then there are many Marwaris established in Calcutta. You do not want to protect the Bengalee against that, I suppose ?

A. I do not want to protect the Bengalee against the Marwari or the Marwari against the Bengalee. I want to protect Indians.

7663. *Q.* If the man is placing his money to the best advantage, do you want to stop him doing so ?

A. I would certainly not like to see our industrial power in the hands of foreigners. They should not be the administrators, directors and the rest of it.

7664. *Q.* Don't you think that education, enterprise and skill could best be learnt in the mills run by foreigners at the present time ?

A. The jute industry has been in existence for a number of years. The railways have been there for a number of years. Still they have not given any training to Indians. These firms come here for business and not for philanthropy. The most important posts are reserved for foreigners.

7665. *Q.* You think that a Scotchman who is here not for philanthropic motives would pay an expensive European if he could get a cheap Bengalee to do his work ?

A. I daresay racial considerations will have some weight with him.

7666. *Q.* Don't you think that competition would compel him to reduce his cost of production to the lowest point ?

A. He has a monopoly of the jute industry. He owns all the firms. There is no competition between Indians and foreigners. If there was competition between Indians and foreigners, he would be compelled to do so. He is now the only person in the field.

7667. *Q.* You see no reason why the Bengalee should not establish jute mills if he wants ?

A. The only reason is lack of enterprise.

7668. *Q.* Could that be protected ?

A. Enterprise can be stimulated in other ways than fiscal protection, which will not do so.

7669. *Q.* You asserted that the cotton industry requires no Protection ?

A. I believe that it does not require Protection.

7670. *Q.* Supposing we require more revenue from the cotton industry, would you favour a consumption tax ?

A. I would favour an excise duty.

7671. *Q.* We call it consumption tax.

A. I certainly am not opposed to the imposition of excise duty on cotton industry.

7672. *Q.* But that excise will be purely for revenue purposes ?

A. As I have stated in my note, Government is foregoing a very important source of revenue in leaving the cotton industry untaxed. Government ought to have done that.

7673. *Q.* In paragraph No. 15, you suggest that British Consuls abroad should keep in touch with the industrial life and policy of the country they live in and inform the Government of India of any developments that are likely to affect Indian interests. That is hardly consistent with fiscal autonomy for India.

A. Then there should be Trade Commissioners for India.

7674. *Q.* In answer to Question No. 24, you say "The wages of the agricultural labourers will consequently rise but how much one cannot say." Will you explain what you mean by the word 'consequently'?

A. Since there will be competition between industrialists and the landlord for the labour of workmen, and as the industrialist will be in a position to pay higher wages the landlords will have to do so. That will follow suit.

7675. *Q.* It will be very slow, but you think it will come eventually ?

A. I am sure that it will. That is what has happened in other countries and that is what will happen here.

7676. *Q.* In answer to Questions Nos. 30, 31, and 32, you say "in a country like India where the national solidarity is still growing the use of tariffs which involves sacrifice for certain industries in order that others may thrive is a bad national policy." Would not that apply to all tariffs ?

A. Here are definite interests ranged against each other, country and town, agriculture and industry.

7677. *Q.* Does not your statement apply to any tariff you put on ?

A. It does mean hardship for certain industries, but it cannot be helped. But agriculture is the prominent industry and it should not be penalised for the industrial development of the country.

7678. *Q.* One other question in connection with subsidies. You could not avoid paying your subsidies or bounties to all firms, I take it.

A. I will only give it to those firms which are struggling and which have a prospect of establishing themselves firmly on the Indian soil without any State assistance.

7679. *Q.* You would give it to any Indian Company, I take it, any Company registered in India ?

A. I will pay to the company which is managed by Indians only.

7680. *Q.* Aren't you really assuming that, as you have already said (I am not prepared to say so), certain classes of Indians are lacking in enterprise, and skill ? Aren't you putting Protection on inefficiency there ?

A. Those Indians who demonstrate their capacity for managing industry ought to get State assistance. Their proposal will be brought forward before the Government. It will be scrutinised. The past of that industry will be taken into account. They will see whether they have got the right sort of men at the helm, and after taking all these into consideration, they will extend State assistance.

7681. *Q.* For instance, supposing the jute industry can establish itself without a subsidy in the hands of foreigners and would require a subsidy in the hands of Indians, would it be fair to your general tax-payer to establish an industry at greater cost than is necessary ?

A. Certainly it will be fair, because the foreigner is otherwise likely to exercise a not very wholesome influence on the public life of the country. It will mean economic loss, but it will mean avoiding greater danger.

7682 *Q.* You are afraid of the political side ?

A. That is my only objection against extending subsidies to foreigners.

7683. *Mr. Birla.*—*Q.* I find that you admit in your written evidence that industries will largely develop by Protection ?

A. Yes, not fiscal protection. I take the word to have a very comprehensive significance.

7684. *Q.* In reply to Question No. 25, you say, "the national income may increase on account of the encouragement of the old and development of new industries and later on the demand for foreign goods spring up and the foreign trade increase." You also admit that national wealth will increase under Protection ?

A. It may. It is a remote possibility.

7685. *Q.* What is your definite view about it ?

A. There are dangers of fiscal protection. Therefore, as I have said already, I want the State to give assistance in a direct way.

7686. *Q.* You also admit that wages increase under protection ?

A. If industries are well selected, it will mean such industries in the management of which we have got efficiency as a nation.

7687. *Q.* You also think that the past policy of the Government has been not to the benefit of this country ?

A. I think that the policy of aloofness, as the economists would say, *laissez faire*, has not been beneficial to the country.

7688. *Q.* You know that the past policy of the Government was a free trade policy, and nothing else ?

A. It was a free trade policy and also a policy of complete aloofness from the industrial life of the country.

7689. *Q.* Free trade means nothing else ?

A. Free trade means only fiscal free trade, but it does not at the same time mean that Government should have a negative attitude towards the economic life of the country.

7690. *Q.* So far as the tariff policy was concerned, it was a free trade policy ?

A. As regards tariff policy, and with regard to industry the policy was one of letting things alone.

7691. *Q.* It has not benefited India at all ?

A. It has done considerable harm.

7692. *Q.* In spite of all these things, in spite of the fact that you think that the past policy has done a lot of harm and though you think that under protection the national wealth may increase and wages will rise and industries will largely develop, may I take it that your objection to Protection is more sentimental than practical ?

A. It is not sentimental but based on hard facts. I think that the policy of aloofness should be given up, but it does not mean that I advocate a policy of Protection. I think the State should grant assistance in a number of other ways. Industries is now a transferred subject and we have got it in our own hands to regulate the industrial development of the country.

7693. *Q.* That means you want Protection but not tariff Protection ?

A. That is what I have been saying all the time.

7694. *Q.* You know the policy of America was a policy of Protection ?

A. I do know that.

7695. *Q.* You think that they have not gained anything from that policy ?

A. It is very difficult to say, but at the same time I think that tariff Protection has not played a very important part in the industrial development of the country.

7696. *Q.* In spite of this America and other countries are still Protectionist countries. Do you mean to say that if a protection policy was not a sound policy, they would still stick to it, because they have undue faith in it ?

A. They have stuck to it for various reasons. They have not stuck to it because they have undue faith in it, but because there are selfish interests in America and Germany which have manipulated the political machinery for their own ends. You know very well that in the United States there are two parties, democrats and republicans, and those two parties are always fighting against each other. As a result of a number of considerations, which are too numerous to be detailed here, they have still stuck to a policy of Protection in spite of the fact that they do not need it for the industrial development of the country.

7697. *Q.* Do you mean to say that the masses have been captured by capitalists there and that they are ignorant of their own interests ?

A. I think that the consumers are not well organised and that the State machinery is being made use of by certain interested parties. That is a fact which is known to those who have studied the question.

7698. *Q.* At least it is not known to me. Then you claim that you know more of America and all these countries which have adopted a policy of Protection than their own Governments ?

A. I do not say that I know more about them, but the students who have given thought to the question will agree with me. Lord Bryce himself says that protection has a very undesirable effect on the national life of the United States of America and there is no greater authority than Lord Bryce. So many economists have definitely pointed that out.

7699. *Q.* Not only America, but Canada, Australia, Germany, France and Japan, all these countries have adopted a Protection policy. Do you mean to say that they are all unwise ?

A. I do not say that they are all unwise, but at the same time I say that the fiscal policy is the result of a number of considerations which are of a very mixed nature. The real effect of Protection on the industrial life of the country has not been well understood by the Members of the Legislature, who ordinarily want effective campaign cries, who do not care a bit for the industrial development of the country. They do not understand the effect of Protection on the economic life of the country.

7700. *Mr. Jamnadas Dwarkadas*—*Q.* Is it so in India ?

A. Everywhere.

7701. *Sir Maneckjee Dadabhoy*—*Q.* Do you include India ?

A. Yes, every member does not care much for economic considerations. He wants effective campaign cries.

7702. *Mr. Birla*—*Q.* You talk of scarcity of capital in this country. Have you got any special experience about capital in this country ?

A. I am only a student of economics. I have not got any experience of industrial life.

7703. *Q.* You know that during the war Government floated large loans and they were over-subscribed in some cases ?

A. I know that, and we have got sufficient reason to congratulate ourselves on that account.

7704. *Q.* Does that not show that there is no scarcity of capital ?

A. I believe that people are learning the habit of investing, but I think the capital that we have got is not sufficient for the industrial development of the country. There is a lot of capital which is shy and which may be induced to come out. But at the same time our needs are so great that capital which is available for us is not sufficient for our needs.

7705. *Q.* I think you are wrong, because in 1919 and also in 1920, large numbers of companies were floated in this country and many of them were over-subscribed by 4 or 5 times ?

A. There is scarcity, comparative scarcity, not absolute scarcity. There is capital, lot of capital. Still more capital is required. Our needs are so great. Capital means surplus. That is what the student of economics understands. We in India do not produce enough for our needs.

7706. *Q.* May I put it to you that there is capital but investors do not want to invest their money, because they have no Protection in this country, and therefore they do not feel secure in investing capital in any new enterprise ?

A. I know that there is a certain amount of capital which may be shy on that account, but at the same time I also know that lack of investments is due to lack of enterprise.

7707. *Q.* Don't you think that if there is Protection, more capital will be coming in ?

A. Certainly, it will induce some of the capitalists who do not do so under the present circumstances to invest their capital.

7708. *Q.* These capitalists at present want to invest money in Government loans. Don't you think they would be induced to invest capital in enterprise instead of in Government loans ?

A. I will take your word for it because you are in closer contact with the industrial life.

7709. *Q.* I find you are very much worried about the profits made by the cotton mills.

A. I am not worried. I have nothing to worry myself about, but at the same time I think that the State ought to have imposed an excise duty on them.

7710. *Q.* It gives you great trouble that the excise duty has not been increased on the cotton mills ?

A. Personally I consider it a wrong national policy.

7711. *Q.* Increase in the excise duty on cotton will benefit India ?

A. It will bring in more revenue.

7712. *Q.* We all know how it will benefit India. How will it benefit the consumers ?

A. A sound financial policy is of great importance for any country and has a great benefit. Sound financial policy requires that we should have countervailing excise duties on cotton goods and we ought to have it.

7713. *Q.* In preference to imposing a higher duty on Manchester goods, you would like to increase the excise duty on Indian mills ?

A. I would not be sorry if there is need for more revenue to increase the duties on Manchester goods, but at the same time I would advocate that the cotton industry at home should not be let off.

7713(*a*). *Q.* I find that you are in favour of direct taxation. Will you kindly explain the use of direct taxation ?

A. The use is that it leads to the political education of the country. I am not in favour of it, but I think that direct taxation has great value in educating the country.

7714. *Q.* Will you kindly illustrate how it is better than indirect taxation ?

A. Direct taxation is what the country has to pay to the State consciously ; indirect taxation is, of course, indirect.

7715. *Q.* Do you know that sometimes direct taxation is not fully realized at all ?

A. That is due to lack of political education.

7716. *Q.* Do you think that when there will be more education they will pay ?

A. Certainly, an awakening sense of civic duty should lead to direct taxes being paid.

7717. *Q.* Are you aware that in indirect taxation Indian States contribute, but not in direct taxation ?

A. Yes, it has been pointed out by Professor Jevons that States should be exempted from indirect taxation.

7718. *Mr. Mant*—*Q.* I am very much interested in your able paper and I feel that in your introductory part you have given such strong reasons against Protection that I find it difficult to follow the subsequent answers ?

A. I do not advocate Protection, but I always use the words "if it is given" it should be given under these conditions—that qualification is always there.

7719. *Q.* In your replies to Questions Nos 11, 12, 13 and 14, you say that those industries for which India has got her own supply of raw materials should be selected for protection ?

A. I am only advocating the principle on which they should be selected, if they are to be selected at all. I say that these are the principles which should be taken into account.

7720. *Q.* We are not really recommending duties on those industries that you have mentioned there ?

A. The industries that I have mentioned are those that have a fair chance of standing on their own legs after having been allowed to take root in the Indian soil.

7721. *Q.* Take the case of sugar. You are aware that a Committee has been examining this question recently and recommending measures, but it never recommended a protective duty.

A. I am not in favour of a protective duty in the case of sugar. I think the difficulty in this case is social, agricultural and economical. Small holdings are the chief difficulties in the way of sugar.

7722. *Q.* In your answer to Question No.1 you say that India cannot do without the imposition of the customs for obtaining revenue. In your answer to one of the previous questions, you refer to the fact that the protective policy of Germany arose from the necessity of getting money for revenue purposes. Is not India likely to travel the same route ?

A. India is likely to travel the same route and therefore the Indian Legislature should take greater care in the framing of the tariff.

7723. *Q.* Suppose you have got to have a high tariff for revenue purposes ?

A. If high duties have to be levied for purposes of raising revenue and incidental protection is given to some industries, I would not object to it. I should like it to be definitely explained, however, that these duties are being imposed merely for revenue purposes and that they may be withdrawn at any time if the situation changes.

7724. *Q.* You merely object to Protection then because you think it would be difficult to reduce the duty. That is your objection ?

A. Yes, that is one of the objections. The second is with regard to the establishment of foreign firms in India and the third is the difficulty of framing a scientific tariff.

7725. *Q.* I want your particular opinion on what was suggested the other day, namely that we have got to have a high tariff for revenue purposes. It could theoretically, at any rate, be manipulated for protective purposes ?

A. If you manipulate it for giving Protection to the industries well and good, but if you reduce the tariff, the industries would raise a hue and cry.

7726. *Q.* That is exactly what I was trying to get at.

7727. *Mr. Jamnadas Dwarkadas*—*Q.* I am in the same difficulty as my friend Mr. Birla. It is rather difficult to find out from your evidence what you really would do if you were faced with the situation with which we are faced at present. Will you kindly make it clear ? You see the situation before us is that we want industrial development of the country, that is imperatively necessary. We have to incur heavy expenditure every year and therefore we want money in some form or other having these considerations in mind. How would you meet the situation for increased revenue ?

A. I have not given sufficient thought to this question, but at the same time I think that if it is necessary further duties may be raised. I have already advocated direct taxation, I have advocated imposition of cotton excise duties, I have advocated retrenchment and also that other sources may be tapped for raising the revenue of the country.

7728. *Q.* You advocate an excise duty. Could you point out to me any other country in the world in which excise is imposed ?

A. Well, England is one country which does impose excise duties.

7729. *Q.* On cotton goods ?

A. No, not on cotton goods, there is nothing very peculiar about cotton goods. On those goods which are imported and are taxed, England being an advanced industrial country can afford to levy duties.

7730. *Q.* You admit that at least in Bombay in 1915 the Protection was in favour of Lancashire against the Indian Mills ?

A. I should not say Protection.

7731. *Q.* It practically amounted to Protection ?

A. I would say that the fiscal policy of the Government has been dominated by Lancashire to a certain extent.

7732. *Q.* Under the circumstances would you levy an excise duty ?

A. I would first make sure that we have got fiscal autonomy before we impose the cotton duty. If Lancashire wants it, I would rather not have it but if we first make sure that we have got fiscal autonomy, that the tariff is going to be framed entirely in the interests of India, I would not object to the imposition of an excise duty. One thing we ought to make sure is that we have fiscal autonomy.

7733. *Q.* Kindly refer to the paragraph in which you speak about cotton mills. You point out the enormous growth in the number of mills and the cotton industry generally?

A. I should not call it enormous, but there has been a certain amount of growth.

7734. *Q.* You would not give Protection to the cotton industry against foreign competition ?

A. I have said in so many words that it does not need it.

7735. *Q.* You would like to make India self-efficient ?

A. I know there is a possibility of expansion for the cotton industry, but the chief difficulty is of not having sufficient capital and that capital cannot be increased merely by fiscal protection.

7736. *Q.* Now, supposing we had twice the number of mills that we have today, do not you think that India would be able to supply its own cotton goods ?

A. I do not know the exact proportion, but I know that India can meet its domestic needs.

7737. *Q.* Do you not think that it would contribute to India's prosperity ?

A. I would certainly welcome it, but it is doubtful whether capital would be forthcoming.

7738. *Q.* Leave aside the question of capital for the time being. If that process can be accelerated, would you not welcome it .

A. I would welcome it if it is not attended with any other dangers.

7739. *Q.* What is the danger ?

A. My only argument is that the cotton industry does not need Protection, it ought to expand automatically.

7740. *Q.* In expressing your satisfaction at the progress the cotton industry has made, you have to consider also the natural advantages we possess for that industry ?

A. Well, that is one of the reasons why a well-established industry like cotton should not be protected.

7741. *Q.* You have also to bear in mind whether the success that has been achieved is greater as compared with the growth of the cotton industry in foreign countries and also that you have these natural advantages for its growth ?

A. I am absolutely certain that something better can be done. The cotton industry is our premier industry regarding which we have some reason to be confident.

7742. *Q.* You object to foreign firms establishing themselves in India. Do you not think that it would be a great advantage to India if foreign firms did establish themselves ?

A. I think it would be the reverse from a political point of view.

7743. *Q.* And from an economic point of view ? Do you not think that Indian labour would be employed ?

A. Yes, Indian labour would be employed and certain industrial developments would take place. I do not know how the railways would have developed without foreigners. This is entirely due to the British enterprize.

7744. *Q.* Do you not think that it is really a very great advantage that they should give impetus to an industry in India ?

A. It is a considerable advantage, but at the same time I think the political disadvantages are very serious.

7745. *Sir Maneckjee Dadabhoy—Q.* For Government to get cheap capital is not an easy matter unless native banks are started in larger numbers. You will admit that ?

A. Yes.

7746. *Q.* Do you not think that subsidies and bounties cause jealousy ?

A. Yes, but not so much as other methods.

7747. *Q.* Several countries went in for tariff protection, Japan for example ?

A. Yes, in the beginning they made very much of it.

7748. *Q.* Have you any special reasons why India should discard a precedent established by several first class nations and go in for doubtful proposals ?

A. Because other countries have adopted Protection is no reason why India should. India should be careful before it takes a leap in the dark.

7749. *Q.* Have you noticed in your study of political economy that other nations have suffered by tariff Protection ?

A. One cannot say exactly how far tariff Protection has been successful, but at the same time I do say that it has played a very important part in the development of the country.

7750 *Q.* What is your authority for that ?

A. For Germany I would say Dawson.

7751. *Q.* Would it not be safe on the whole to go upon trodden ground ?

A. If by doing so it would result in undesirable consequences, then it must be avoided.

7752. *Q.* In the course of your written statement you have made use of two expressions, namely, (1) fiscal Protection and (2) incidental Protection. These terms are not recognised by political economists. The State aid you regard as fiscal Protection ?

A. "State aid" I regard as a kind of assistance to industry and "fiscal" as tariff Protection.

7753. *Q.* There is a large middle-class in the country whose plight today is extremely bad ?

A. Extremely under the present circumstances.

7754. *Q.* The starting of numerous industries in this country will give employment to a large number of the middle classes ?

A. Yes. I think Indians will be employed in positions of not very great responsibility. All responsible positions—if foreign capital is made use of—will be filled by the foreigners.

7755. *Q.* I want to understand one phrase in your note: "Its readiness to make use of taxing power for other purposes ought to be made clear." What do you mean by "other purposes"?

A. Purposes other than of raising revenue. Taxing power may be used for policing purposes. Free trade policy has always been considered the same thing as taxes for revenue only. I say that that policy should be abandoned.

7756. *Q.* Talking about countervailing excise duties, you give a list of ten mills and show the dividends paid by those mills from 1911 to 1918. I suppose you have drawn your conclusions in the note which you have written and also in the answers which you have given today on the profits shown in this table. Is it not so ?

A. I have given them by way of illustration only.

7757. *Q.* Is it not the case that the ten mills chosen by you are the most prosperous in India ?

A. I took those mills from the *Investors' Book.* Mr. Ainscough has given in his book the profits of 58 Bombay mills and the profits work out to an average of 44 per cent.

7758. *Q.* You have chosen these 10 mills. You know there are nearly 300 mills ?

A. I know there are 300 mills and over.

7759. *Q.* Have you calculated the average profits of these mills ?

A. I have not calculated for all of them, but I know that most of them are doing very well. I have not myself calculated, but these are figures given in that book.

7760. *Q.* I want to show that your information is not quite correct ?

A. My information, as far as I know, is quite correct.

7761. *Q.* You have not shown the figures for the 58 mills?

A. I have not, because that would make the note unwieldy.

7762. *Q.* For what reason have you taken these ten mills?

A. I have referred already to Mr. Ainscough's book. He says that they make an average profit of 44 per cent.

7763. *Q.* You have said in the evidence given today that 10 per cent. is a reasonable profit?

A. Yes.

7764. *Q.* If you are shown that for the last 25 years, the profits of these mills would not exceed that figure, would you agree that their profits are not high?

A. I would not go as far back as 25 years.

7765. *Q.* In considering the position of an industry, would you only look to the future prospects? Would you not go to its back history?

A. Well, for certain purposes I would not.

7766. *Q.* For ascertaining whether the industry is in a prosperous condition, you will not go into its back history?

A. If an industry has been running at a loss for 25 years, but in one year it is making high profits, I would certainly take its back history. In the case of the cotton industry it has been prosperous for many years, and I would take into account only the future and not the past.

7767. *Q.* Have you made any inquiry why these special profits were made in the last few years?

A. I know the war gave a certain amount of Protection, and that the Lancashire supply has not been as abundant as it ought to be on account of the economic difficulties arising out of the war.

7768. *Q.* Are you confident of these causes operating in the future?

A. To a certain extent, yes. Mr. Wadia has pointed out that a period of prolonged prosperity is in sight for the cotton industry in India.

7769. *Q.* That is not your personal opinion, but that is what you have heard from Mr. Wadia?

A. It is the result of my own personal study.

7770. *Q.* Which Mr. Wadia do you refer to?

A. I think he is the President of the Mill-Owners' Association. I refer to a public speech of his delivered at the annual meeting of the Mill-Owners' Association.

7771. *Q.* You are in favour of retaining this countervailing excise duty and if necessary increasing it. Can you give an instance of a country that has imposed a countervailing excise duty?

A. England is doing it. She has done it on certain things which are imported from abroad.

7772. *Q.* I am referring to countervailing excise duties.

A. I want to impose countervailing excise duties, not because I am a free-trader: I want to impose it for revenue purposes only. I think the cotton industry should contribute its legitimate share to the coffers of the State.

7773. *Q.* You will justify it only for revenue purposes?

A. We must first make sure of the fiscal autonomy of the country. If we are sure that India has got fiscal autonomy and we would not be required to submit to the dictates of other countries, then I would not object to the countervailing duty.

7774. *Q.* You may not have fiscal autonomy for the next 50 years, or you may have it next year: As circumstances stand would you recommend it?

A. Well, not in response to Lancashire agitation. For a year or two I would like to wait and see if Lancashire does bring pressure to bear on us.

7775. *Q.* Have you studied the figures of the profits Lancashire has made during the years before the war broke out?

A. I do not think it necessary to do so for this particular point.

7776. *Q.* When you say that the use of the duties for the protection of industries is not to be banned, you mean the tariff duties?

A. Yes.

7777. *Q.* You said that you preferred direct taxes. Can you name any, apart from Land Revenue and Income-Tax?

A. I would say Inheritance Tax and Increment Values, *i.e.*, uncarned increment in the value of land.

7778. *Q.* Is Inheritance tax possible in view of the Hindu joint family system?

A. I would advocate it in certain cases.

7779. *Q.* Would you do away with the Hindu joint family system?

A. I would levy an Inheritance tax only when the property bequeathed is very large as is done in other countries. When it is very large you can take a share for the State.

7780. *Q.* Probate duties are levied in cases where the persons are capable of making a will. In the case of Hindus they cannot make a will in respect of joint property?

A. I would not say anything on the legal aspect of the question, but an Inheritance tax ought to be imposed when there is no other difficulty.

7781. *Q.* Have you got any other suggestions to make besides these two,—Inheritance tax and increment values?

A. Well, these are the only two items which I can think of now, but if I am given time I may be able to think of more.

Witness No. 53.

THE INDIAN METALLURGICAL ASSOCIATION, Calcutta.

Wrtten statement dated the 30th November 1921.

7782. *Q.* 1. The old battle between Free Trade and Protection has been radically affected by the war. The arguments in favour of Free Trade depended largely on the existence of free communications and the beneficial results of self-interest. The war showed that countries could not afford to confine themselves entirely to fortuitous developments and the fairly easy passage of the Safeguarding of the Industries Bill by a Liberal Government in England shows how profoundly previous ideas have been modified. It will be difficult now probably to find any country in the world where a general policy of Free Trade is favoured without reservations.

Economic considerations were the only considerations at first, but of late years political and social reasons have reinforced the arguments in favour of Protection and even the old rigid Free Traders admitted the theoretical possibility of establishing or encouraging new industries by Protection.

7783. *Q.* 2. There is no doubt that indirect taxation will always be more popular and more economic in this country than direct taxation, and it is possible with indirect taxation to reach the masses in a way not financially economical with direct taxation. We regard indirect taxation as far preferable to direct taxation in India.

7784. *Q.* 3. If it is decided that a tariff should be imposed simply and solely for revenue purposes and with no intention of giving Protection, it would still seem desirable to arrange the tariff so as to help where help is needed (the principle that luxuries should be taxed being respected as at present). The metallurgical industry obtains little aid from the tariff and the iron and steel industry not only has no protection but the Tariff Act really works against it as will be shown later. Yet this industry is suitable for India, and suffers like all new industries from difficulties which will disappear when the technicalities of the industry have been learnt by Indians.

The cotton mill industry, on the other hand, is well established and pays heavily, and yet is protected by a 11 per cent. duty. It is one of our contentions that the money which could be raised by a 11 per cent. duty on the products of the iron and steel industry and related industries could, if the revenue now produced is sufficient, be counterbalanced by a reduction in other duties, and this will not be detrimental to con-

sumers as a whole, while it would certainly afford some help to an industry which is a basic industry and which is in need of help unless exchange and trade conditions mend. The attached table No. 1 shows a number of articles, none of which at present are manufactured in India, with the quantity of imports shown at actual figures and the duty at the figure it would have reached if the new tariff had been in vogue.

TABLE No. 1.

Articles.	Rate of duty.	1912-13.		1913-14.		1918-19.		1919-20.		1920-21.	
		Imports.	Duty Rs.	Imports.	Duty Rs.	Imports.	Duty Rs.	Imports.	Duty Rs.	Imports.	Duty Rs.
	Per cent.										
Clocks and Watches.	20	1,66,000	33,200	1,77,000	35,000	1,46,000	29,200	1,46,000	29,000	4,79,000	95,800
Cutlery . .	11	1,50,000	16,000	1,88,000	20,000	1,28,000	14,000	3,39,000	37,000	5,52,000	60,000
Cycles . .	20	2,36,000	57,000	2,31,000	46,000	1,27,000	25,000	3,21,000	64,000	9,14,000	1,82,800
Camphor . .	11	1,17,000	13,000	96,000	10,000	1,15,000	12,000	2,46,000	27,000	2,67,000	29,000
Alizarine, Aniline Dyes.	11	7,60,000	83,000	7,00,000	77,000	7,80,000	86,000	13,84,000	1,52,000	33,63,000	3,70,000
Bottles . .	11	1,20,000	13,000	1,46,000	16,000	2,04,000	22,000	3,01,000	33,000	5,46,000	60,000
Sheet and Plate Glass.	11	1,37,000	15,000	1,49,000	16,000	1,21,000	13,000	3,60,000	39,000	7,11,000	78,000
Table Glass .	11	42,000	4,000	53,000	5,000	56,000	6,000	1,64,000	18,000	1,54,000	17,000
Metal Lamps .	11	2,03,000	22,000	2,73,000	30,000	1,37,000	15,000	3,43,000	37,000	7,10,000	78,000
Electric Fans .	11	57,000	6,000	82,000	9,000	1,79,000	19,000	2,14,000	23,000	3,99,000	43,800
Electric Lamps .	11	48,000	5,000	60,000	6,000	1,73,000	19,000	90,000	10,000	73,000	8,000
Electric Machinery	2½	2,40,000	6,000	3,45,000	8,000	2,60,000	7,000	12,40,000	31,000	21,88,000	54,700
Matches (per gross box, As. 12).	--	1,51,24,000	7,56,000	1,38,94,000	6,94,000	1,11,19,000	5,55,000	1,50,15,000	11,26,000	1,23,98,000	9,29,800
Motor Cars .	20	8,58,000	1,71,000	10,22,000	2,04,000	2,59,000	51,800	39,28,000	7,85,000	1,23,44,000	24,68,800
Oilcloth . .	11	70,000	7,000	75,000	8,000	68,000	7,000	70,000	7,000	2,84,000	31,000
Oilmanstores .	11	15,66,000	1,72,000	16,49,000	1,81,000	12,92,000	1,42,000	29,09,000	3,20,000	36,09,000	3,97,000
Rubber .	11	1,31,000	14,000	3,53,000	38,000	15,54,000	1,71,000	20,95,000	2,30,000	25,20,000	2,77,000
Umbrellas . .	11	2,93,000	32,000	3,54,000	39,000	1,14,000	12,000	2,04,000	22,000	2,10,000	23,000
TOTAL .		..	14,25,200	..	14,42,000	..	12,06,000	..	29,90,000	..	52,03,700

None of these articles are manufactured in India in any quantity. Some sort of cutlery is available, but of poor quality, and the same applies to bottles, we believe. Matches are of universal use. Electric supplies and motors affect the well-to-do. Cycles, glass and oilmanstores affect the middle classes most, and we take it that the relief afforded would be very general.

The duties thus remitted might be imposed on the products of the iron and steel industry, the imports of which are tabulated in tables No. 2, 3 and 4.

TABLE No. 2.

IRON.

N.B.—Weight in tons. Value in £1,000. B. E.=Imports from British Empire. G.=Government Imports. F.=Foreign Imports.

——	1912-13.		1913-14.		1918-19.		1919-20.	
	Tons.	£	Tons.	£	Tons.	£	Tons.	£
Pig—								
B. E.	1,154	47	12,179	56	67	1	4,155	53
G.	3,812	18	3,293	17	2,486	18	605	9
F.	1	...	75	...	.....		.....	
Rice Bowls—								
B. E.	6,447	79	6,461	91	384	9	547	20
G.	.....		.....		.....		.....	
F.	167	2	200	2	5	...	16	1
Total								
B. E.	7,601	126	18,640	147	451	10	4,702	73
G.	3,812	18	3,293	17	2,486	18	605	9
F.	168	2	275	2	5	...	16	1
GRAND TOTAL .	11,581	146	22,208	166	2,942	28	5,323	83

TABLE No. 3.

Iron or Steel.

—	1912-13.		1913-14.		1918-19.		1919-20.	
	Tons.	£	Tons.	£	Tons.	£	Tons.	£
Beams, pillars, girders and bridge works—								
B. E	40,595	336	56,298	530	516	13	20,435	450
F. (G. & B).	29,740	200	33,344	241	405	16	2,205	64
Bolts and nuts—								
B. E.	3,122	75	3,753	90	611	32	2,097	139
F.	2,381	40	3,615	62	2,468	200	1,964	119
Hoops and strips—								
B. E.	16,996	156	21,757	211	14,484	473	16,625	628
G.	58	1	152	2	545	14	1,027	43
F.	9,133	84	9,031	76	8,640	413	11,430	484
Cast pipes and fittings—								
B. E.	25,712	225	42,624	417	5,864	114	8,394	228
F.	4,172	61	4,895	66	1,803	75	2,105	110
Rails, chains and fish plates (Ex. Railways)—								
B. E.	2,720	21	4,601	44	147	5	1,769	44
F.	7,332	50	13,179	89	83	2	5,220	116
Sheets and plates—								
B. E	2,44,781	3,195	3,66,465	4,724	38,266	1,458	1,32,985	5,224
G.	5,061	50	8,503	82	6,502	169	5,816	291
F.	67,025	632	64,572	519	14,151	743	33,694	1351
Wire (except wire ropes)—								
B. E.	2,333	56	2,807	74	1,907	116	6,186	403
G.	784	10	907	12	779	31	913	44
F.	7,552	94	6,952	86	8,097	554	10,179	516
Others—								
B. E.	11,951	223	16,051	293	779	30	11,004	438
G.	6,121	76	9,548	91	1,065	30	1,843	72
F.	4,083	52	10,184	103	816	58	1,435	91
Total—								
B E.	3,48,210	4,287	514,356	6,383	62,574	2,241	1,99,495	7,554
G.	12,024	737	19,110	187	8,891	244	9,599	450
F.	45,426	385	50,885	445	13,313	704	15,704	777
Grand Total	4,05,660	5,409	5,84,351	7,015	84,778	3,189	2,24,798	8,781

TABLE No. 4.

Steel.

—	1912-13.		1913-14.		1918-19.		1919-20.	
	Tons.	£	Tons.	£	Tons.	£	Tons.	£
Angles and Springs—								
B. E	16,972	127	17,038	134	1,470	43	13,548	403
F.	13,018	89	27,154	178	7,710	478	4,497	121
Bars and Channels—								
B. E.	19,515	151	25,781	208	4,165	166	24,470	754
G.	5,368	50	3,378	31	1,848	49	2,536	93
F.	1,00,071	690	1,78,832	1,170	23,555	1,063	46,043	1,434
							272	10
Cast Steel—								
B. E.	2,011	42	2,904	59	474	38	2,378	149
G.	257	8	207	6	432	37	726	75
F	1,047	15	1,267	28	356	25	589	37
Ingots, Blocks, Billets and Slabs—								
B. E.	121	1	107	1	113	4	231	7
G.	.....		2	...	.....		.....	
F.	.....		2	...	20	1	27	1
Total—								
B. E	38,619	321	45,830	402	6,222	250	40,627	1,312
G.	5,625	58	3,585	37	2,280	86	3,262	158
F.	1,14,136	793	2,07,255	1,375	31,641	1,567	51,156	1,593
							272	10
Grand Total	1,58,380	1,172	2,56,670	1,814	40,143	1,903	95,317	3,073

RAILWAY PLANT AND ROLLING STOCK.

	1912-13.		1913-14.		1918-19.		1919-20	
Bridge Work (Cwts.)—	Tons.	£	Tons.	£	Tons.	£	Tons.	£
B. E.	4,13,199	259	1,72,495	133	.....		29,416	40
F.	.....		7,514	5	.....		.....	
Rails, Chains and Fish Plates—								
B. E.	21,98,717	769	22,16,589	874	1,153	3	7,54,314	717
G.	6,47,315	198	8,77,677	385	81	1	3,19,407	409
F.	20,015	7	11,924	5	.....		2,296	3
Sleepers and Kegs of Iron and Steel—								
B. E.	15,72,935	519	17,81,659	629	.....		1,86,048	188
G.	9,602	3	18,802	7	.....		.....	
F.	41,717	16	37,548	16	.....		906	1
Total—								
B. E.	41,84,851	1,547	41,70,743	1,636	1,153	3	9,96,778	945
G.	6,56,917	201	8,96,479	392	81	1	3,19,407	409
F.	41,812	16	48,108	22	.....		3,202	4
GRAND TOTAL	48,83,580	1,764	51,15,330	2,040	1,234	4	12,92,387	1,358
	8,19,800	8,491	9,78,302	11,035	1,27,924	5,124	3,90,057	13,220

A duty of 15 per cent. all round would have yielded—

	Rs.
1912-13	12,73,650
1913-14	16,54,250
1918-19	7,68,600
1919-20	19,83,000

This is, approximately, the same amount as might have been sacrificed by remitting the duties suggested for 1912-13 and 1913-14 and less for the other years, and there is no doubt that the result would have been a big stimulus to Indian Industry. The figures are only suggestive. A similar result could be reached by a dozen other combinations.

7785. *Q.* 4. The existing tariff is based on the principle that luxuries are taxed and imports are taxed to produce revenue without interfering with the industrial development of the country, that is to say, industries which are to be established here can be established without being taxed on the material required for establishing them. As a matter of fact, this principle is not put into practice, and the actual administration of the tariff results in manufacturers paying more than the legislature ever intended them to do on goods brought in for establishing industries, while in the case of the iron and steel industry the practical result of the tariff is that manufacturers pay somewhere round 5 to 7 per cent. on the plant, while everything which is made comes in at 2½ per cent. This is not Protection, not even Free Trade, it is a specimen of industrial murder, and is similar to offering a premium on foreign steel imported into this country.

In our opinion, therefore, the tariff as administered cannot be said to be the practical expression of any settled principles.

7786. *Q.* 5. As stated in reply to Question No. 4, the tariff, as actually administered, has had a stultifying effect on all manufactures in so far as it has subjected material brought in for establishing a plant to a considerable duty, and has had, in particular, a very bad effect on the iron and steel industry because of the low duties on what are the finished products of the iron and steel industry. If administered as the legislature originally intended, the existing tariff is of some use to those industries undertaking the manufacture of hardware, and as the raw material of these industries becomes available in increasing quantities from local manufacturers, one may expect to see that sort of industry increasing. The administration of the tariff has been a serious handicap to the installation of electrical equipment; meanwhile, Government is promoting hydro-electric surveys. A notification issued on November 5th shows that Government is apparently anxious to remove this handicap.

7787. *Q.* 6. This, in the case of the metallurgical industries, would be pointless, and could only be sound practice in the case of those goods on which a tariff is imposed for revenue purposes.

We would, however, like to insist on the converse of this proposition.

It is now under contemplation for the Governments of Bengal, Bihar and Orissa to put an excise tax on coal. This will increase the cost of pig iron and steel and all smelting operations considerably and will do considerable damage to our industry unless it is counterbalanced by an import tax.

7788. *Q.* 7. We do not favour this in any way.

7789. *Q.* 8. No. On the other hand, our Association already represents a number of firms which, when they are producing, will be able to meet a considerable portion of India's demand.

Mutual competition will keep prices down and if we are right in our surmise that after some time it will be possible to compete with the organisations of older countries, it is certain that the consumer will benefit in the end by the establishment of factories in his own country.

7790. *Q.* 9. We are concerned only with the metallurgical industries and we do consider that the tariff should be framed with a view to fostering such industries. (India possesses vast stores of the necessary raw materials, and the war showed that it is essential to have these basic industries alive and prosperous). The railways of this country have suffered severely from their inability to purchase from local manufacturers necessary material for renewals and expansions, and furthermore have suffered considerably by depletion of their imported stocks on demand from the theatres of war. Had there been a robust railway material construction industry in this country, the material development of this country would not have been retarded for a decade, as is now the case. (See also answer to Question No. 12). It is hardly necessary to argue that the industrial future of this country is of the greatest interest to all its people. Material progress is dependent on it. Famines will lose their terrors. Political advancement is dependent on it. And for industrial expansion metallurgical industries are essential. The advantages of material progress are clearly illustrated by the rapid rise of Japan, in wealth and in her position as a world Power, as a result of the large industrial developments made in that country in a few years under the protection of a judicious tariff.

We consider that Indian industries would benefit and develop largely with similar Protection.

7791. *Q.* 10. As regards the ordinary products of the iron and steel industry such as rails, rolled steel, bars, plates, sheets, etc., there is no reason why India should not be independent, provided industries are given sufficient Protection in the initial stages to enable them to grow. For instance, there is no reason why wire and wire nails should not be made in this country, but it is doubtful if the industry could be established without Protection against the long established powerful industries in Europe.

The same applies to steel pipes and tubes.

The copper for brass and copper sheets is available in this country, but not electrolytic copper.

7792. *Q.* 11. Protection should be afforded to those industries which are naturally adapted by the presence of raw material for establishment in India, or by climatic or agricultural conditions, and only to such when it appears that capital is forthcoming to establish such industries.

We see no advantage, for instance, in taxing a chemical like sulphur, which is the raw material for the manufacture of sulphuric acid, and which is not found in workable quantities in India. Sulphur must be imported. It is not a luxury and the tax is useful only for revenue purposes. We submit that the money would be better taken by a tax which had some stimulating effect on Indian industries.

7793. *Q.* 12. We are concerned only with the Metallurgical industries and are not especially qualified to offer advice on other industries, but, *primâ facie*, in addition to the metallurgical industries the leather, common glass, rope, soap, brush and sugar industries would appear to satisfy all the necessary tests for qualification for Protection.

As regards our own particular industries, we wish to draw particular attention to the need for encouraging the establishment of all branches of Railway engineering in this country.

This, however, is impossible unless Government is ready to reconsider its present principle of importing its own materials free of duty. This acts as a general handicap on many industries, but is of particular importance as regards Railway imports.

The proportion of Government stores to other imports is unusually high in India, particularly as regards Railway plant, as shown below :—

	1912-13.	1913-14.	1918-19.	1919-20.
Carriages and Wagons—	£	£	£	£
General Imports	1,584,000	3,131,000	471,000	3,005,000
Government Imports	734,000	1,215,000	294,000	3,577,000
Locos. & Tenders—				
General	603,000	1,269,000	204,000	430,000
Government	482,000	611,000	122,000	441,000
Rails, Chains and Fishplates—				
General	775,000	879,000	.....	720,000
Government	198,000	386,000	.....	409,000

These figures are striking, but they do not show what is likely to happen if, as we hope, a protective duty is imposed. For instance, carriages and wagons are being erected in this country. The special imports usable only for carriages and wagons come in on Government account free though imported by the erecting engineers. Sheets, on the other hand, are not so easily identifiable and the contractor pays 2½ per cent. The total result is that carriages and wagons, imported whole on Government account and paying no duty, have a 1 per cent. to 1½ per cent. advantage over those erected in this country. If a duty of 11 per cent. were imposed on sheets, this advantage would be raised to 5 per cent. or 6 per cent. and it would then be essential for erectors to import plates fabricated and specialised so that they could avoid duty. If, therefore, Government imports continued to be free and a duty of, say, 11 per cent. was placed on sheets, the customs duty on sheets would inevitably decrease.

It is clear, moreover, that if the Protection we ask for is given, it will not be possible for industries in this country to supply any Government wants if Government imports still come in free, and while private consumers will have every inducement to purchase locally, Government departments will have every inducement to import. We cannot believe that such a state of things will be tolerated.

Until Indian industries develop, the payment of customs duties by Government is only the transfer of money from one pocket to another. When industries do develop, the fact that Government may have to pay higher prices for a time will be more than counterbalanced by increases in direct taxation. We have already pointed out the benefits of local competition. In its instructions to purchasing officers, such officers have been told to add customs duties to low rates for purpose of comparison with Indian rates. This indicates Government's acceptance of our contention, but we submit that the fact that duty is not actually levied on Government imports must inevitably influence officers endeavouring to work down to estimates and keeping within limits laid down.

7794. *Q.* 13. Protection should be contemporaneous with the establishment of the industry, that is to say, it should be the definite policy of this country to protect such industries as are naturally suited for this country, owing to the existence of the necessary raw material or otherwise, and for which capital is forthcoming.

To protect industries which don't exist is to raise the price to the consumer without any corresponding benefit to the industrial world. A settled policy in this matter is all that is required.

For instance, at the present time tin plate Works are under construction, and while for the present no duty is desirable, the imposition of a duty when manufacture begins will be a considerable inducement, and may even be necessary for the expansion of this industry.

7795. *Q.* 14. If, as stated above, the natural conditions are favourable to the industry, it follows that when the technique has been mastered by Indians it should be possible for the industry to stand on its own legs.

We would therefore confine Protection to industries likely to be able to do this, provided—

(1) Due allowance is made for essential industries. An example of this is the dye industry in Great Britain.

(2) Due allowance is made for counteracting bounties, etc., given in other countries and for the effects of inflated currency and depressed exchanges.

7796. *Q.* 15. As indicated above, we consider that special Protection should be given against dumping, bounties, subsidies or concessions. Our own particular industry is new to this country and new to its people who will have to be taught the technique of the work. Under such conditions these artificial aids to exports from other countries can very easily incapacitate this industry in a few years. This would undoubtedly have a very prejudicial effect on capital. The industry is suffering at present from the existence of a bounty of this sort on Belgian steel of 30 francs per ton. A suitable way of counteracting such bounties would be to impose a special transport tax equivalent to the bounty for as long as the bounty was offered.

7797. *Q.* 16. So long as the Indian ryot finds himself with so much time on his hands, we think that every effort should be made to foster hand industries. There is no doubt that the course of the seasons in India leaves the agricultural population with very little to do for a great portion of the year. In our opinion, Government is now paying sufficient and suitable attention to hand industries.

7798. *Q.* 17. In our opinion, there is no such danger. We sell at present at a rate based on supply and demand, with the home rate plus carriage, insurance, freight and customs, as a sort of guaranteed maximum for the public. To raise that guaranteed maximum cannot lead to monopolies, when there is competition, as there, very shortly, will be in this country.

In any case, judicious tariff adjustment could obviate this danger. It is suggested that, to begin with, the tariff should be reviewed annually.

See answer to Question No. 3.

7799. *Q.* 18. We consider it certain that British and foreign firms will establish themselves in India in order to get the benefit of the tariff. In fact, under existing conditions, there is a tendency for firms to come out here. We think the movement should be encouraged. Factories for manufacture of jute mill machinery, enamelled ironware, iron products, electric cables, steel castings, cast-iron pipes and tin-plates have already been started in this country.

There is no fear of the industrial field being crowded for a considerable time, and the example of successful enterprise in this country must stimulate purely Indian firms into entering the field of industry.

7800. *Q.* 19. We think it inevitable that such conflicts should arise, but we see no difficulty in adjusting them with a varied tariff as is done at present.

In the iron and steel industry, we furnish the raw material for certain manufactures. It is to our advantage to see such factories established in India and to encourage them by favourable contracts for raw material.

As a practical instance, take the case of pig iron. The production of this is more than sufficient for India's demand, and the erection of blast furnaces will certainly be more rapid than the erection of steel works. For one thing, blast furnaces require far less European labour. Indian labour can be trained more rapidly. Therefore, the surplus products of the blast furnace must find an outlet abroad or must be sold to manufacturing concerns in India. Foreign markets are closed by high tariffs, and therefore, the iron and steel industry has every incentive to encourage the erection of works locally to form a market for its pig iron.

7801. *Q.* 20. The answer must vary with the article. If an article is essential, *e.g.*, salt, the demand is likely to put the whole of the tax on the consumer.

If an article is a luxury, *e.g.*, musical instruments, the demand will fall on any increase in price, and manufacturers can hardly find the same outlet for their wares unless they can lower their factory prices or be content with a smaller margin of profit.

When competition is already keen, this cannot be done to any great extent, and in such cases most of the increased price is borne by the consumer, but the consumer cuts down his demand. The recent tax on champagne in Britain is an example of this.

7802. *Q.* 21. It is impossible to answer this question briefly.

If the rise in price stimulates manufactures in India, and if the industry can adapt itself well to the conditions of the country, there is no reason why Indian labourers could not be trained to real efficiency with a corresponding decrease in costs, and with enough competition prices would fall. Certainly, if Protection encourages industries in India, as we believe it will, the rise in price can hardly be permanent if competition between Indian manufacturers comes into play.

7803. Q. 22. Yes. If there is to be any Protection, this is inevitable. On the other hand, whether it is desired to protect Indian industries or not, it is inevitable that Government should look to customs duties for a large revenue. This involves an increase in price, and as far as the metallurgical industry is concerned, we maintain that it is possible to give us the Protection we want without raising more revenue, if Government is prepared to reduce duties already imposed on other classes of goods correspondingly. It would be possible to produce the results we ask by raising the duty on iron and steel and reducing the duty on those goods which are not manufactured in India. This could damage no existing industry.

See answer to Question No. 3.

7804. Q. 23. See answer to Question No. 22.

7805. Q. 24. This is a psychological question. In the United Kingdom under present arrangements any increase in the cost of living is reflected in the standard of wages without delay. The Indian workman is not so far advanced, but nevertheless he has proved his ability during the last three or four years to protect his interests very fairly, while it has not yet been proved, and probably is not true, that in a period of dropping prices employers are equally able to lower rates. We anticipate that the industrial wage earner will prove able to look after himself and secure a rise to meet increased prices. The middle classes will follow suit with rather less haste.

The agricultural labourer is in a different position. His wages can alter little, and he is affected but little.

The last ten years has seen a steady rise in prices, to which rates have been adapted after a season of strife, which was short and conducted on the whole with credit to both sides. We see no reason to anticipate that an era of Protection carefully and slowly applied will lead to greater difficulties than we have had in the past. We are opposed to any sudden changes, and if duties are imposed, we think that it should be done gradually at regular intervals.

It can be maintained, we think, that the country as a whole is more prosperous and contented in an era of gently rising prices. In such an era trade expands, capital comes forward, and the national debt is comparatively less burdensome, but these conditions are all reversed in an era of falling prices. If protective measures are introduced gradually and as required, we can look forward to an era of gently rising prices which is likely to be an era of great prosperity.

7806. *Q.* 25. Protection, if effective, must reduce certain imports. Therefore, exports will be reduced after exchange reaches its proper level, unless the demand for other imports increases. What particular exports will be affected, if unregulated, it is difficult to say, but the export of foodstuffs is looked on with a good deal of apprehension in this country, and if the establishment of industries in this country and a corresponding decrease in imported manufactures could be provided for by a decrease in the export of foodstuffs, the total result must, it would appear, be very beneficial to the country as a whole. Moreover, it can be confidently foretold that the industrial expansion of the country will lead to a greater demand for foodstuffs in the country. The average man is insufficiently fed at present. Agriculture may be expected to benefit materially by the increased demand for its products, and the surplus purchasing power of the country due to increased industrial activity may be expected to go towards increasing other imports which cannot be produced in the country.

7807. *Q.* 26. We regard this as a secondary aim, and as an unimportant one, until India has surplus manufactures to export in quantities.

As far as our Association is concerned, pig iron is the most important product for export. In this direction Japan imposes a duty of 10 yen per 100 kin, about Rs. 4 per ton.

Australia . . .	Rs. 21 per ton.
New Zealand . .	Free.
China . . .	5 per cent.

Japan may put up the tariff when she can import from her furnaces in China. It is impossible to bargain with Australia. Her tariff is becoming stiffer and stiffer.

On the whole, therefore, it does not look as if there is anything to be gained as far as our Association is concerned.

7808. *Q.* 27. See above.

7809. *Q.* 29. It appears to us that this is a proper function of the new Department of Industries though we do not contemplate that the adjustment of tariff rates should be left to an executive department. We would prefer to rely on a standing committee of the Legislative Assembly which could have expert advice if required.

If it is decided that protective measures against dumping and other artificial causes should be taken, it is essential to have an authority with plenary powers, capable of taking action which could be ratified or modified by the Councils at greater leisure.

We suggest that members of the Chambers of Commerce should be on these committees and, in particular, that this Association should be represented when tariff questions affecting us are considered.

7810. *Q.* 30. We consider that they should be used only for revenue purposes, though we think that in the case of foodstuffs Government is justified in trying to meet the perennial shortage of foodstuffs in the country by the imposition of an export duty.

7811. *Q.* 31. We do not pretend to expert knowledge on this subject, but it would appear that the jute trade, being a monopoly of a sort, can stand an export duty without serious injury. It is all a question of degree, however, and it is obvious that a very heavy export duty on jute must close down the demand and ruin the trade.

7812. *Q.* 33. As already stated, yes, but it would appear that an export duty on agricultural produce in the absence of an increase in Indian industries must be bad for the producers of such produce.

7813. *Q.* 34. We do not think that this is advisable.

7814. *Q.* 35. Yes. As far as our own industry is concerned, it would appear possible to afford Protection as well as Imperial Preference without any economic loss at all.

7815. *Q.* 36. Only if they differentiate in their policy towards us, as is the case with Australia at present.

7816. Q. 37. No. The rates of foreign countries in our own case are already sufficiently high, without any question of retaliation being raised, and we don't think they could go higher.

7817. *Q.* 38. As we have stated, we contend that our industry is essential to this country, and therefore that at least an 11 per cent. duty, as given to the textile trade, is essential. We would regard a difference of 5 per cent. as a reasonable average rate of preference, a special provision being made against countries, etc., as already suggested.

7818. *Q.* 39. The principle would be to give preference to articles manufactured in the Empire which are competing wtth articles manufactured under protective tariffs in other countries.

We should give preference on all goods.

This would only be a proper acknowledgment of the Empire's services to India and of the security which India enjoys as a member of the Empire.

7819. *Q.* 40. If the cheapest source of supply is a foreign country, it would appear that the prices must rise. If, on the other hand, the cheapest source of supply is British, it would seem that the prices will not rise if sufficient supplies are forthcoming.

7820. *Q.* 41. Preference on customs duties of any sort must, by stimulating home-production, diminish the volume of certain imports and therefore of exports, unless other imports increase, but there is no reason *ipso facto* why the balance of trade should suffer.

7821. *Q.* 43. Yes. The iron and steel trade.

The copper trade.

The related chemical manufactures.

7822. *Q.* 44. 1. Iron ore resources of excellent quality, enormous quantity and readily accessible, and copper ores which are easily worked.

2. Flux in satisfactory quantities and fair quality.

3. Coal in quantity and of a quality which can be used with fair efficiency.

4. Coal and flux in reasonably close proximity. Well situated for Near and Far East trade.

7823. *Q.* 45. Yes. During the war the whole Railways of the country and of Mesopotamia were dependent on the trade for rails, and the equipment of Railways has suffered very seriously owing to the impossibility of buying stocks locally. The iron and steel industry is essentially a basic industry and on its efforts depend a large number of other industries. The importance of the iron, copper and chemical industries is so obvious that it is hardly necessary to enlarge on the reply.

7824. *Q.* 46. It is an infant industry. Capital is now coming forward with proposals for great expansion. Labour will be able to do its share, but it must take time to train staffs to the very strenuous and peculiar conditions in this trade. Above all, the organisation of the industry is likely to prove backward as regards transport. Concrete figures have been placed before Government and it has been shown that unless great improvements in permanent way and equipment are put in hand without further delay, the progress of the industry will be seriously affected.

7825. *Q.* 47. India, Japan (for pig iron), the Far East, Australia, New Zealand, the Near East.

7826. *Q.* 48. Very intense competition.

India with its low tariff is the dumping ground of the world.

7827. *Q.* 49. The present inefficiency of Indian labour the consequent abnormally high cost of supervision, and the need for skilled European workmen—all put labour costs very high. Moreover, in Belgium there is an export bounty of 30 frs. per ton on steel. This and the exchanges are our chief difficulties at present.

7828. *Q.* 50. We suggest 11 per cent. duty as given to the textile industry as a minimum. Our ore costs are low. On the other hand, our coal costs are higher than in America, Belgium or Germany. Our flux costs are high. Our other costs are similar to those in other countries, but our supervising costs are very high. This is due to the fact that a generation of iron and steel workers has yet to grow up.

It is not possible to give figures for different varieties of labour separately, but the following statement shows the labour conversion costs in various departments of the Jamshedpur factory.

It is also impossible to give modern average figures for the steel plants of England or America as conditions there vary every month, but pre-war figures were as follow :—

	Rs.	A.
Blast furnace	1	8
Open Hearth	2	2
Blooming Mill	1	0
Rail Mill	4	8
Structural Mill	4	0
Bar Mill	10	0

Actual figures for the U. S. Steel Corporation from May to November, 1920, at current rates of exchange were—

	Rs.	A.	P.	
Blast furnace	1	10	5	
Open Hearth	2	11	7	
Blooming Mill	1	3	2	
Rail Mill	3	9	7	Very heavy rails, therefore, cost very low.
Structural Mill	5	6	5	

It may be argued that it is unfair to compare pre-war European figures with post-war Indian figures.

The specific figures for 1920 however show how quickly a return is being made to normal in America. In India, on the other hand, the cost of living has not fallen appreciably up to the present.

The cost of living for imported labour rises rather than falls owing to the increased taxation of articles for their consumption, and it has yet to be proved that employers will be able to decrease rates of pay for Indian employees if the harvest proves as abundant as it promises to be, and if the cost of living decreases accordingly.

Indian Labour Costs for Conversion in Rupees per ton.

1921.	April.	May.	June.	July.	Aug.	Sept.	Oct.
Coke Ovens	1·22	1·29	1·42	1·48	1·50	1·51	1·52
Bye-Product Coke Ovens	1·39	1·49	1·43	1·44	1·49	1·51	1·52
Blast Furnace	2·67	2·95	2·89	2·95	2·90	2·74	2·61
Open Hearth	6·21	7·15	7·50	6·15	5·98	5·93	6·06
Blooming Mill	1·64	1·78	1·67	1·66	1·75	1·73	1·72
Rail and Structural Mill	7·71	8·50	8·52	7·75	7·64	8·98	6·82
Bar Mill	12·74	12·91	13·16	12·63	13·19	15·65	16·60

7829. Q. 51. Yes. We think that when Indians have been trained, it will be possible for the industry to stand on its own legs with confidence, in the same way as the textile industry is doing now.

7830. *Q.* 52. Sometimes.

We have no remedy to suggest beyond a protective tariff.

7831. *Q.* 53. Certainly, very much accentuated.

7832. *Q.* 54. We do not feel competent to answer this question.

7833. *Q.* 55. We have no suggestions.

7834. *Q.* 56. The only result to the industry is to cause material harm by a considerable increase in the cost

of plant. This result was never desired by the legislature and could never be contemplated by any legislature, but the interpretation, and in our contention the misinterpretation, placed by the Customs Department on the existing tariff has actually resulted in our paying an appreciable percentage more on our new plant.

See answers to Questions Nos. 4 and 5.

7835. *Q.* 57. This does not concern us.

7836. *Q.* 58. Yes. Our pig iron is the raw material of other foundries, and our steel is the raw material of engineering and building trades. Copper is also a raw material for several industries.

7837. *Q.* 59. Yes. Firebricks, silica bricks, magnesite bricks and chromite bricks, coke, if this can be called a finished product, and sulphuric acid. As regards sulphuric acid this country is entirely dependent on foreign sources for its supplies of sulphur. We press strongly for the removal of all duty on sulphur.

7838. *Q.* 60. We favour varying Protection.

Labour is not skilled at present, and those industries in which labour costs are proportionately higher require higher Protection until such time as labour improves in skill and efficiency. See answer to Question No. 50.

For example, tin-plate manufacture needs very highly skilled workmen. To begin with, they will have to be imported, and until Indian Labour can be trained, tin-plate manufacture can fairly claim a considerably higher Protection than pig iron, or taking the next stage, than rolled steel products, and so on.

6839. *Q.* 61. Pig iron to Japan.

Pig iron and steel to New Zealand, Australia and China.

Copper for electrolytic refining.

7840. *Q.* 62. No.

7841. *Q.* 63. We have no recommendations to make.

7842. *Q.* 64. Our trade is certainly hampered by the high duties of Australia, and we anticipate a high duty on pig iron into Japan as soon as and if the Japanese blast furnaces in China meet the Japanese demand.

We doubt the wisdom of retaliation on any Japanese goods unless retaliation also means Protection to indigenous industries. The consumer pays most of the duty levied, and the money required can best be recovered by protective duties.

7843. *Q.* 65. We do not feel competent to advise on this point without information which we have not got.

7844. *Q.* 66. This question does not affect us.

7845. *Q.* 67. We do not feel competent to advise on this point.

7846. *Q.* 68. We think this is *primâ facie* inevitable, or at least it is inevitable that exports to that country should diminish and India can hardly remain unaffected, but it does not follow that the sum total of imports and exports will be affected.

7847. *Q.* 69. We do not feel qualified to answer.

7848. *Q.* 78. We prefer *ad valorem* duties.

In respect of these, the provisions of the existing Act are simple. Tariff valuations lose their meaning frequently, and a 10 per cent. tariff duty can easily become a 20 per cent. *ad valorem* duty if the tariff is not readjusted for each fluctuation in market rates.

Oral evidence of Messrs. PARSONS, SAWDAY and CHARTERIS, Calcutta, the 6th January 1922.
Mr. SAWDAY generally gave the replies.

7849. *President*—*Q.* Gentlemen, you appear before this Commission as representatives of the Indian Metallurgical Association?

A. Yes.

7850. *Q.* You are interested in the iron and steel trade, the copper trade and the related chemical manufactures?

A. Yes.

7851. *Q.* I understand that you think that the circumstances of your trade, especially the iron and steel trade, necessitate a certain amount of Protection?

A. Yes.

7852. *Q.* In answer to Question No. 4 your Association says, "As a matter of fact this principle is not put into practice, and the actual administration of the tariff results in manufacturers paying more than the legislature ever intended them to do on goods brought in for establishing industries, while in the case of the iron and steel industry, the practical result of the tariff is that manufacturers pay somewhere round 5 to 7 per cent. on the plant while everything which is made comes in at 2½ per cent." The Association comments on it by saying, "This is not Protection, not even Free Trade, it is a specimen of industrial murder, and is similar to offering a premium on foreign steel imported into this country." Will you please explain what you really mean by the present tariff policy leading to the manufacturers paying somewhere round 5 to 7 per cent. on the plant while everything which is made comes in at 2½ per cent?

A. Sir James Westland, when he introduced the present Tariff Act in 1894, explained that it was not intended to lay any burden upon manufacturers. Government taxed the manufacturers in the form of income-tax and in other ways. He said that it was their intention that manufacturers should be subject to no taxation whatever on imports and that they wanted to open the door as wide as they could to everything which was intended for the use of manufacturers in this country and to build up their industries. He said that they had selected the definition of machinery with great care after consulting various bodies and so on, which would bring about that effect. As a matter of fact, until recently very few people challenged the interpretation put by the Customs Department. The Tata Iron and Steel Company has taken up the matter for the last 2½ years, and we have somewhere about 70 lakhs worth of materials under protest. We have succeeded a good deal. For instance, the penalty which was imposed on electrical equipments has recently been removed by Government. We are arguing still about ingot cars. I cannot give you the exact total expenditure of the Tata Iron and Steel on ingot cars but I know we have imported 7 lakhs worth of ingot cars in the last two years. With regard to building materials, it is stated that they should come in at 2½ per cent. Until recently everything which by any stretch of imagination could be excluded has been excluded by the Customs Department. It is only within the last fortnight that we have succeeded in showing that the more complicated building materials such as steel doors should come in at 2½ per cent. It is only recently that we have succeeded in showing the Customs appellate authorities that the Customs Department were so interpreting the tariff in flat contradiction of what was intended at the beginning that we actually had to pay a great deal more than 2½ per cent. which Sir James Westland intended that we should pay.

7853. *Q.* That is to say, you are paying higher rates on articles you import and which are required for manufacturing purposes?

A. Yes.

7854. *Q.* At the end of your answer to Question No. 5 you also practically say the same thing. "The administration of the tariff has been a serious handicap to the installation of electrical equipment." Will you please explain it a little more fully?

A. In the case of steam driven plant, the fly-wheel, the levers, the belting which carries power, and the whole equipment come in at 2½ per cent. In the case of electrically driven machinery, the generators, dynamos and motors come in at 2½ per cent. The transformers, switch boards, controllers, and everything else were charged at 7½ per cent., and have been lately charged at 11 per cent. We have been contending for the last two years that, on the analogy of the steam plant, these things should come in at 2½ per cent. Recently, after two years' fighting, Government has given way. Since November last it has ordered that the component parts of dynamos and motors should be assessed at 2½ per cent.

7855. *Q.* Your complaint is actually against the manner in which the Act is administered?

A. Yes.

7856. *Q.* With reference to your reply to Question No. 10, I should like to know whether a general Protection to the iron and steel industry would be sufficient in your opinion, or whether you advocate that special Protection should be separately provided for each of the articles you indicate?

A. We do not recommend that one rate should cover everything, because we claim Protection on the ground of the inefficiency of Indian labour which has still to be trained.

7857. *Q.* Steel is the raw material for a large number of other manufactures. I would like to know whether you want to have a uniform amount of Protection for steel and the manufactures of steel, or different Protection according to the manufactures ?

A. I want to have different Protection.

7858. *Q.* In your answer to Question No. 12 you deal with railway imports, and you advocate the establishment of all branches of Railway engineering in this country. You point out that this is impossible unless Government reconsiders its present principle of importing its own materials free of duty. It has been pointed out that Government charging an import duty to itself would merely mean a book entry. But you advocate that this should be done in order to show the comparative values of materials imported by them and those purchased locally ?

A. Yes.

7859. *Q.* And you think that in the interests of the development of the industry in this country it is necessary that Government should adopt a different system of account keeping (because it comes to that) by adding to their imports the amount of the duty they levy for private imports ?

A. We think that it will influence the action of Government purchasing officers. It is inevitable that it should do so.

7860. *Q.* You say at the end of your answer to Question No. 12 that Government have issued instructions to purchasing officers to add customs duties to low rates for imported goods for purpose of comparison with Indian rates. You do not think that that is sufficient. You want actual entries to be made in the books. You want that the revenue should be credited to Government under customs and debited to the various spending departments as the full cost of the articles purchased. Is that so ?

A. The spending officer's estimate is not debited with customs duty at present.

7861. *Q.* I merely ask whether you would prefer to have this ?

A. Yes.

7862. *Q.* In your answer to Question No. 15 you say that the Indian Industry is suffering at present from the existence of a bounty on Belgian steel of 30 francs per ton. Can you tell us how this bounty is given and to whom ?

A. The bounty is given to Belgian manufacturers for every ton of steel exported.

7863. *Q.* Exported to any part of the world ?

A. I understand that it is to any part of the world.

7864. *Q.* That is to say, the State gives the Belgian manufacturers 30 francs per ton as bonus for every ton of steel exported from Belgium. Then as a suitable remedy for counteracting such bounties, you recommend a special transport tax ?

A. I am sorry there is a mistake here. It should be import tax.

7865. *Q.* In answer to Question No. 24 you say, " We see no reason to anticipate that an era of Protection carefully and slowly applied will lead to greater difficulties than we have had in the past. We are opposed to any sudden changes, and if duties are imposed we think that it should be done gradually at regular intervals." You are dealing, I suppose, with protective duties here. Do you think that the test should be adequacy of Protection or regulation of Protection ? You say that the duty should be imposed gradually at regular intervals ?

A. We do not think that the duty should jump up and down simply because 30 per cent. will be sufficient in one year and 50 per cent. in another. It might cause a good deal of distress if you have any uncertainty of that sort. We believe that if prices rise gradually it is likely to work less hardship.

7866. *Q.* Assuming that Government decide to afford Protection, in protecting your industry, how would you fix the first duty that should be levied. It will have to be regulated afterwards as the industry develops. But there must be some basis on which the initial Protection should be decided upon ?

A. We think that the protective duty should be as low as possible. You may say that a trade needs 20 per cent. duty to give it a good profit. On the other hand, if it can carry on reasonably without loss, we think there is a good deal to be said for giving the lowest possible Protection to begin with.

7867. *Q.* Sufficient to enable it to progress ?

A. Yes. (*Mr. Parsons*)—There is one point. What we mean is that as the steel industry in India grows, certain articles which are now not manufactured in India will be manufactured, and that as the manufacture of those articles develops in India, a corresponding protective tariff should be put upon those articles in order to encourage the manufacture of such articles.

7868. *Q.* Quite. The only point I wanted to elucidate was that it should be sufficient to bring about the manufacture of those articles. To start with it should be sufficient to bring about the establishment of those manufactures.

A. (*Mr. Parsons*)—I think the general feeling with regard to Protection is that that can be done by giving the industry assistance in respect of those articles which it is already manufacturing.

7869. *Q.* Will you please explain it a little more fully ?

A. (*Mr. Parsons*). We are not at the present time making sheets and malleable iron things of this nature; and we consider that it would be a great hardship to the users of these materials to put on a protective duty at this stage. But we hope in future to enter into the manufacture of such articles, and when such a time comes, in order to assist the industry which has commenced those manufactures, protective duties on such articles should then be imposed.

7870. *Q.* In answer to Question 26 you give a statement of the duties that are imposed on pig iron.

A. (*Mr. Sawday*). Yes.

7871. *Q.* Australia imposes a duty of Rs. 21 per ton, *i.e.*, how much percentage ?

A. About 60 per cent. of present manufacturing costs.

7872. *Q.* That is practically a prohibitive duty to prevent any imports from this country ?

A. Yes.

7873. *Q.* In answer to Question No. 35 you reply in the affirmative and say, " as far as our own industry is concerned, it would appear possible to afford Protection as well as Imperial Preference without any economic loss at all." Will you please explain what you mean.

A. We do not quite understand what the question is. We do not understand why Imperial Preference cannot be established without economic loss to this country.

7874. *Q.* I should think the question is clear enough. It is " Are you on general grounds favourable to the idea of Imperial Preference ? If so, do you think that India would be justified in risking any appreciable economic loss for the sake of Imperial Preference ? "

A. We are favourable to Imperial Preference and we do not think there would be any loss in our trade.

7875. *Q.* That is to say, you would allow the import of iron and steel and articles manufactured out of iron and steel from Empire countries at lower rates of duty than similar articles from foreign countries ?

A. I think that it should be so.

7876. *Q.* How do you think that prices would be regulated in India when these differential tariffs are levied ?

A. They would be regulated by the British standard.

7877. *Q.* Then the effect of preference would be to exclude foreign markets ?

A. But as far as the regulating of prices go, we have the British markets to regulate the prices in India.

7878. *Q.* If higher duties are levied on similar articles imported from foreign countries, they would cease to come ?

A. Unless they can afford to come in with the higher duties.

7879. *Q.* They would cease to come because of the higher duty. Therefore there would be less of competition in India ?

A. Yes. If you put a high duty against any particular country, naturally the competition from that country is diminished.

7880. *Q.* And if prices are worked up on that basis, there would be a loss to the consumer. You will see from the tables given on pages 1 and 2 of your written statement,

the proportion of British Empire imports to the foreign imports. The foreign imports are fairly substantial. In some cases they are higher than the British imports.

A. It might be so. But sheets and plates are, of course, the most important things.

7881. *Q.* So the prices would be regulated by the higher rate of duty in regard to those imports ?

A. The British trade is four-fifths of the total trade.

7882. *Q.* Then there is no advantage in giving preference. However, I do not wish to pursue this further. I merely want to draw your attention to the fact that you mentioned that Australia charged a duty of 60 per cent. against pig iron ?

A. 60 per cent. of the manufacturing cost here, sir.

7883. *Q.* In your answer to Question No. 38 you advocate a duty of at least 11 per cent. on imports of iron and steel and articles manufactured therefrom, and you suggest a preference of 5 per cent. for British goods. That is to say, a duty of 16 per cent. should be levied on goods imported from non-British parts of the world. You don't think that the prices in India would be regulated by the basis of the 16 per cent. ?

A. (*Mr. Parsons*)—It is largely a question of the amount of British materials as compared with the foreign materials that are imported. The question of prices depends largely upon the proportion of the two imports.

7884. *Q.* I merely want to know whether you have considered it and whether you can give us any information.

A. (*Mr. Sawday*)—We do not think the duty should go up to 16 per cent.

7885. *Q.* It would be something more than 11 per cent. Otherwise, there is no meaning in preference ?

A. Yes.

7886. *Q.* In answer to Question No. 48, you say that you have to meet very intense competition and that India with its low tariff is the dumping ground of the world. Do you think that that is the result of the Free Trade principles adopted by India ?

A. Yes.

7887. *Q.* In answer to Question No. 59 you press very strongly for the removal of the duty on sulphur ?

A. Yes. That seems to us to be a pointless duty; it only hinders industries in India.

7888. *Q.* Don't you think that there is possibility of manufacturing sulphuric acid in India ?

A. Yes, but there is no sulphur in India. (*Mr. Parsons*). Sulphur is a raw material for the manufacture of sulphuric acid.

7889. *Q.* But sulphuric acid is also manufactured from other articles ?

A. But at the present time there are no sulphides in India sufficient to give us the quantity of sulphur we now import.

7890. *Q.* You base your opinion on the ground that it is not possible to manufacture sulphuric acid in India ?

A. It has to be manufactured if industries are to thrive.

7891. *Q.* Out of imported raw material ?

A. Yes. There was a proposal to manufacture sulphur from zinc ores imported from Burma, but it has been dropped. It is essential that sulphuric acid should be manufactured in this country.

7892. *Q.* By importing the raw material if it is not available in India ?

A. Yes.

7893. *Q.* So you press for the removal of all duty on sulphur on the ground that it is a raw material for the manufacture of sulphuric acid ?

A. Yes.

7894. *Q.* In answer to Question No. 64 you say that your trade is certainly hampered by the high duties of Australia and you anticipate a high duty on pig iron into Japan as soon as and if the Japanese blast furnaces in China meet the Japanese demand. Can you make any suggestions other than those which you have already made in order to remedy this state of things ? I mean if Japan and Australia want to develop their own industry and wish to impose a very heavy import duty on your manufactured pig iron, would you advocate any action against Japan and Australia in regard to articles they send to us ?

A. We are not inclined to think that retaliation would be a proper weapon.

7895. *Q.* Then you would tamely submit ?

A. I would put a duty on Japanese goods if it would help any particular industry, but otherwise not.

7896. *Sir Maneckjee Dadabhoy*—*Q.* As I read your evidence, I understand that the principal grievance of your Association is of a two-fold character : firstly, the misinterpretation of the Act, and secondly, the want of a settled policy on the part of the Government of India in fiscal matters ?

A. Certainly, the misinterpretation of the Act. The policy is settled, but the Government of India do not control its application.

7897. *Q.* You do not object to the nature of the policy itself ?

A. The policy has been settled ever since 1894.

7898. *Q.* I am asking you with reference to your answer to Question No. 4 ?

A. We say "the tariff *as administered*" : the tariff as framed is logical enough.

7899. *Q.* Do you think that the existing tariff as framed promotes the development of industries ?

A. No.

7900. *Q.* It is in antagonism to the development of industries ?

A. Yes. It is a Free Trade tariff.

7901. *Q.* I would like to know whether your Association has approached the Government of India, Finance Department, in this connection ?

A. It was approached in 1919.

7902. *Q.* And what reply did you get ?

A. We were told to use the ordinary procedure of the Sea Customs Act.

7903. *Q.* Did you approach the Customs authorities ?

A. Yes : we were told to go to the Government of India.

7904. *Q.* I suppose you gave up the matter in disgust ?

A. No, we are still representing our case.

7905. *Q.* You advise the imposition of a 11 per-cent. duty upon all iron and steel of foreign origin ?

A. Yes, as a minimum.

7906. *Q.* You will admit that of these classes of imports, Railway plant and rolling stock form the bulk ?

A. Yes.

7907. *Q.* Practically half ?

A. Yes.

7908. *Q.* Therefore, you will acknowledge that the imposition of this 11 per cent. duty will materially add to the cost of Railway construction in India ?

A. You mean, from Government's point of view ?

7909. *Q.* From the taxpayers' point of view.

A. As far as Government imports are concerned, it will be a transfer from one pocket to the other. It will be an additional tax so far as Indian industries get additional payment for their goods.

7910. *Q.* And so far as private firms are concerned ?

A. As far as private firms are concerned, it will be an addition to their cost.

7911. *Q.* You are aware that the Committee lately appointed by the Legislative Assembly recommended a Railway programme and said that for the existing works 150 crores should be given for the next 10 years. If that policy is accepted, when there are not sufficient factories in this country, the immediate imposition of an 11 per cent. duty will add greatly to the cost of carrying out that programme ?

A. But the stores are purchased by Government. Government have got their Stores rules, and they have adopted them after very considerable deliberation.

7912. *Q.* Do you think that Government is infallible ?

A. No. (*Mr. Parsons*)—Our idea is that we do not suggest that a protective tariff should be put on those goods which India cannot manufacture at present.

7913. *Q.* But the bulk of these you cannot manufacture at present ?

A. (*Mr. Parsons*)—The bulk of Railway plant and rolling stock we cannot manufacture at present. (*Mr. Sawday*)—Locomotives we are starting.

7914. *Q.* But it would take some time before you can meet the enormous demand in this country ?

A. (*Mr. Parsons*)—India will never be able to develop these industries which are of vital importance to this country, unless Government are prepared to give the industry assistance in its early stages.

7915. *Q.* In other words, the country should be prepared to make a large sacrifice for the development of these industries ?

A. We contend that it will not be a large sacrifice.

7916. *Q.* Then, I see from the general tenor of your answers that you propose that a lot of industries should be started in India. The effect of this recommendation of putting an 11 per cent. duty on iron and steel will be to raise the cost of machinery for the new industries.

A. We would accept an exception of machinery for the new industries as at present.

7917. *Q.* Will you charge 2½ per cent. only ?

A. 2½ per cent. and even nothing.

7918. *Q.* You would prefer to have them free ?

A. Yes.

7919. *Q.* Then you say that the administration of the tariff has been a serious handicap to the installation of electric works. Am I to understand that your Association recognises also that electric machinery should come free into the country ?

A. Yes. That is the present tariff, but it has not been acted up to until the last month.

7920. *Q.* Would you like it to be rigorously observed ?

A. Yes.

7921. *Q.* What is the sort of excise duty you refer to in your reply to Question No. 6 ?

A. The Governments of Bengal and Bihar and Orissa had a proposal to impose an excise tax on coal, probably 8 annas a ton.

7922. *Q.* What is your opinion about an import duty on coal ?

A. We have no views on it.

7923. *Q.* In your answer to Question No. 14 you say, "If, as stated above, the natural conditions are favourable to the industry, it follows that when the technique has been mastered by Indians, it should be possible for the industry to stand on its own legs." Do you admit Indians in your workshops as apprentices ? I would like to know what your Association is doing.

A. Speaking of the Tata Steel Works, we have taken Indians wherever possible, but you will see from our answer to Question No. 50 that the labour cost for Open Hearth is very much higher than it is in Europe. It is due to the fact that Open Hearth has to be manned by Europeans brought out from England. It is an inherited trade and until one or two generations of Indians work on Open Hearth, it is unlikely we can get that inherited instinct in India. We have started a school which we hope will train 24 people a year.

7924. *Q.* In higher branches ?

A. Yes, in steel works and rolling mills.

7925. *Q.* You will recognise that unless this is done, Protection will not be of great assistance ?

A. No. We can always carry on as we are.

7926. *Q.* But you cannot expect Government to protect new industries by heavy tariffs for a long time. Unless you train Indians, your cost of labour will always be high ?

A. We are training Indians ; our coke department is under a Bengali. Our Electrical Engineer is also a Bengali.

7927. *Q.* I understand that you are not in favour of an indefinite policy of Protection : you only want to protect industries which have been started and which can by a system of Protection fully develop. Is not that so ?

A. We think it is possible for our industry to learn to support itself.

7928. *Q.* Will you please look at your answer to Question No. 24 ? The third paragraph says, "We see no reason to anticipate that an era of Protection carefully and slowly applied will lead to greater difficulties than we have had in the past. We are opposed to any sudden changes, and if duties are imposed, we think that it should be done gradually at regular intervals." Don't you think that frequent alterations in the tariff have more or less a deleterious effect ?

A. Yes. It would be better to avoid frequent alterations. By frequent alterations I mean frequent rises and falls.

7929. *Q.* Has not the constant revision of the tariff policy of the Government of India retarded the development of trade and industries ?

A. I do not think I can say that.

7930. *Q.* Now, about your answer to Question No. 29. You advise a standing committee of the Legislative Assembly to revise tariffs ?

A. We have given that opinion ; we have not much to say on it.

7931. *Q.* Will you kindly explain your answer to Question No. 78 ? You say, "Tariff valuations lose their meaning frequently, and a 10 per cent. tariff duty can easily become a 20 per cent. *ad valorem* duty if the tariff is not readjusted for each fluctuation in market rates."

A. We find that tariff valuations are very often wide off the mark. They are settled by the Customs executive department. The result is that prices drop and the valuation is greatly higher than the bazar price, and the consequence is that the articles pay a higher duty.

7932. *Q.* Of course your Association is specially qualified to speak of your own industries, copper and steel ?

A. Yes.

7933. *Mr. Mant—Q.* You said that you are in Tata's Steel Works ?

A. I am, but I am speaking here not for the Tatas, but for the Association.

7934. *Q.* You say in your answer to Question No. 4 that the practical result of the tariff is that manufacturers pay somewhere round 5 to 7 per cent. on the plant, while everything which is made comes in at 2½ per cent. Could you explain the figure ?

A. We are supposed to bring in machinery at 2½ per cent., but the Customs Department refuse to admit much of our plant as machinery and they charge duty at the rate of 11 per cent.

7935. *Q.* I understand you want machinery and all component parts to come in at 2½ per cent. or less ?

A. Yes. That is the present rule.

7936. *Q.* You want that strictly enforced ?

A. Yes.

7937. *Q.* And you would put on a duty of 11 per cent. on iron and steel manufactures ?

A. Yes, on the simpler forms of iron and steel, beams, angles, rails and all simple rolled steel.

7938. *Q.* Does railway plant and rolling stock come in at 2½ per cent. ?

A. If plates and simple forms of iron come in at 11 per cent., the manufacturers in this country would advocate more duty for Railway plant, etc. We are mainly concerned with the simpler forms of manufacture.

7939. *Q.* Are you producing higher forms of steel ?

A. Yes.

7940. *Q.* And are they used for the manufacture of machinery in this country ?

A. Textile machinery is being made in this country ; locomotives will shortly be made, as also plates, agricultural machinery, etc.

7941, *Q.* Imported textile machinery pays a duty of 2½ per cent. ?

A. Yes.

7942. *Q.* If it is going to be manufactured here and your proposal is accepted and you put on a duty of 11 per cent. on the materials used in manufacturing the machinery, would it not be a grievance to the manufacturer of machinery ?

A. (*Mr. Parsons*)—We suggest that the protective tariff should be subject to revision and at the stage when machinery makers reach the position of being able to manufacture the machinery, we take it that they, in their own interests, would press for similar protective tariffs on their goods and would press with good effect.

7943. *Q.* Your position is that you are going to get machinery in at 2½ per cent. and your products which are the raw materials for other machinery at 11 per cent. duty ?

A. (*Mr. Sawday*)—Machinery ought to come in at 2½ per cent. until it can be made in this country.

7944. *Q.* As soon as machinery can be made in this country, you will be prepared to have 11 per cent. all round ?

A. On that particular form.

7945. *Q.* Would it not really want more than 11 per cent.?

A. Yes.

7946. *Q.* You want to have rather more than 11 per cent. on say textile machinery ?

A. Yes.

7947. *Q.* Indian manufacturers will want rather more than 11 per cent. on their cotton ?

A. If they are really well established, there does not appear good reason for their doing so. They pay a dividend of 100 and 200 per cent.

7948. *Q.* You would start with 11 per cent. on your iron and steel, *i.e.*, raw materials for machinery. When these are used for making machinery, the machinery makers would want more than 11 per cent. Then again when you come to people who use the machinery for some other manufactures, they would want still higher Protection. Wouldn't they ?

A. (*Mr. Parsons*)—Our idea is that protective tariffs should be not necessarily progressively increasing, but as our industry becomes more established, the rates for imported steel may fall in order to assist other industries, such as the machinery manufacturers in this country. The whole point of our suggestion is with the idea of assisting the growth of industries in this country.

7949. *Q.* My fear is that you might retard them by putting the duty on the steel industry, which is the basis of others, and if it wants a higher and higher duty to protect the others, you will retard the growth of industries.

A. (*Mr. Parsons*)—Until you get this particular basic industry established in India, there is no question about it that the higher forms of engineering industry will not advance in this country, because they have not got the materials at hand. I believe one of the great set-backs to India during the past 7 years has been the lack of parts, due to the war. They have been unable to get these parts and the whole of the industry of the country has been held up accordingly. The condition of the Indian railways at the present time is largely due to the fact that no spare parts were available in India, and nowhere in India could such necessaries for Railway working be obtained.

7950. *Q.* But you see the difficulty. I understand your answer would be that you would like to develop your industry first ?

A. It is certainly one of the essential industries.

7951. *Q.* And the others are dependent on it. When you have developed it, you will be prepared to remove the protective duty ?

A. Until you can get machinery made in this country, no one would ask for protective duties on machinery. If you do not have Protection, you cannot possibly have development of the industry.

7952. *Q.* I understand that they would insist on high protective duty on other products that depend on that basic industry, and you said just now that you would establish that basic industry first and then dispense with the protective duty on that, in order to let the machinery of other industries develop ?

A. (*Mr. Sawday*)—You cannot establish the machinery industry until you establish the iron and steel industry.

7953. *Q.* Would you be prepared to dispense with the protective duty on iron and steel when your industry is established ?

A. As far as iron and steel manufacturers are concerned, they naturally would. If you want machinery factories here, you must give them higher protective duty.

7954. *Q.* The chief difficulty of a protective policy is that if you start with the basic industry, it goes on increasing the duty on other industries ?

A. (*Mr. Parsons*)—There is one point which is being lost sight of in this connection, and that is it is in the interests of the iron and steel manufacturers in this country to encourage the growth of machinery makers, and the higher forms of engineering skill, and I think the Tata Iron and Steel Co. has shown during the past few years that, in spite of the protective tariff working against them, they will be in a better position if they are assisted by a protective tariff on the basic industry to give further assistance to the growth of subsidiary companies.

(*Mr. Sawday*)—I may tell you that some customers obtain from us goods at approximately 40 per cent. of the market rate. There is one company which has made a contract some time ago. It is a very low one.

7955. *Q.* Every one wants to see that the basic industry is established. We realise that is the basis.

A. Pig iron is very essential and we certainly make more pig iron than India can consume.

7956. *Q.* You might export it ?

A. Export will become extremely difficult.

7957. *Q.* You would be prepared to take away the protective duty when it is established. That is your position ?

A. Yes.

7958. *Q.* In answer to Question No. 10 you speak of wire and wire nails as an industry that might be established. I take it that you apply the same principle ?

A. Yes, but this industry is one that might be subject to competition of a particular sort.

7959. *Q.* To revert to Question No. 15, where you refer to a special transport tax on Indian steel, have you considered the possibility of the application of the Countervailing Duties Act, which was utilised for bounties on sugar and which is still in force ?

A. No, but we are glad to know about it.

7960. *Q.* Only one other question as regards your answer to Question No. 64. I think you said you would not mind putting a duty on Japanese goods if it encourages Indian industry. Is that by way of retaliation in order to force Japan in the matter of pig iron ?

A. We do not think we would force Japan.

7961. *Q.* The main point is that if you once put a protective duty on Japanese goods, you would not be able to take it away ?

A. Probably not.

7962. *Mr. Birla—Q.* In answer to Question No. 34 you say that you do not think it advisable to impose an export duty on a raw material in retaliation for an import duty imposed by a foreign country on the manufactured article. Do you know that the American Government at present contemplates to impose further import duties on jute cloth, etc., in order to encourage direct manufactures from jute ? If they do this, I feel it might affect the jute industry of India. In spite of this would you be so charitable as not to impose an export duty on a raw material which is the monopoly of India ?

A. The only raw material with which we are concerned is iron, and the export of iron ore is not a practical proposition at present. Mr. Parsons thinks this a questionable statement. (*Mr. Parsons*)—I do not think that enters into the question which Mr. Birla has raised at all. His point is retaliation. The feeling of the Association is that retaliation is useless. We have got to depend upon the efficiency of our trade and the cheapness of our cost of manufacture in order to compete in export markets. I do not think that retaliation will be of assistance.

7963. *Q.* You want to give Protection to the industries in India by imposing import duties, but in other cases, where you find other countries are retaliating against your manufactures, you do not want to give Protection to the Indian industry by imposing export duties on those raw materials for which you have a monopoly ?

A. (*Mr. Parsons*)—It seems to us that the question of retaliation is one that will not assist our particular industry at all, and it is one we have not considered.

7964. *Q.* I understand your answer is only in connection with iron and steel ?

A. (*Mr. Sawday*)—Yes.

7965. *Q.* In reference to Question No. 35 about Imperial Preference, would you be prepared to have Imperial Preference in spite of the economic loss to India ?

A. The President dealt with that question.

7966. *Q.* In your answer to Question No. 39, you say about Imperial Preference, "This would only be a proper acknowledgment of the Empire's services to India and of the security which India enjoys as a member of the Empire." I understand from your answer that you feel that there will be economic loss to India by Imperial Preference and still you want to have it as an acknowledgment of the Empire's services to India ?

A. There might be some loss in other directions. In our own trade there would not be great economic loss.

7967. *Q.* Am I to understand that your answer to Question No. 35 is in connection with iron and steel ?

A. Yes, we have said so.

7968. *Mr. Rhodes—Q.* I understand that so far the metallurgical industry has been built up on the basis of Free Trade ?

A. Yes, on the 2½ per cent.

7969. *Q.* I presume we had Free Trade practically until last March when the 11 per cent. duty came on ?

A. In our case we are still 2½ per cent.

7970. *Q.* When these duties were raised, they made a sort of effort at a scientific duty, that is to say, certain things were brought in at 2½ per cent., certain things at 11 per cent. and certain others at 20 per cent. It seems to me that it has really not been a help but a hindrance ?

A. So far the duty has been a hindrance.

7971. *Q.* Then the attempt so far at a scientific tariff has been a failure ?

A. As far as we are concerned, we think that the administration is at fault and not the tariff.

7972. *Q.* In answer to Question No. 60 you say that you favour a varying Protection which will be an attempt to get a scientific tariff. In Question No. 4, on the other hand, you point out the disadvantages to which you have been subjected owing to this varying tariff.

A. I do not think that is the correct interpretation of our reply to Question No. 4. We are only grumbling at the way in which the tariff is applied.

7973. *Q.* It was pointed out to us yesterday in connection with printer's ink that the duty at present was actually acting against the manufacture in this country ?

A. Yes.

7974. *Q.* In that case varying duties have really been a disadvantage ?

A. Yes, but we are quite content with the wording of the tariff as a Free Trade tariff. We are only saying that it has not been fairly administered.

7975. *Q.* As regards Question No. 12, it is not a question of Administration. I understand that your Association is dissatisfied with the application ?

A. We are not dissatisfied, but we are only saying that it is no good your trying to protect our industry unless you put a tax on Government goods.

7976. *Q.* I am referring to carriages and wagons imported. Supposing you had a 10 per cent. duty on plates, and 10 per cent. on fabricated plates and 10 per cent. on machinery, I take it the machinery manufacturer would have a considerable Protection ?

A. We will be better off.

7977. *Q.* You suggested to Mr. Mant that, as you have progressed upwards, you want higher and higher duties ?

A. If you admit our contention, that Indian labour is inefficient, you must give more Protection.

7978. *Q.* As regards the question of Government paying the duty, you realise that the Rs. 30 crores per annum which has been given is reduced to Rs. 29 crores by the figures you yourself gave us in reply to Question No. 12 ?

A. You have reduced it already in theory. You are supposed to take the customs duty into consideration in comparing prices. We are not doing anything more than asking you to apply your existing rules.

7979. *Q.* In fact your recommendation will be to give us 31 crores instead of 30 ?

A. Yes. We must point out that Italy, Germany and other countries tax Government stores.

7980. *Q.* Don't you think that really the best solution of the question is that Government should buy more in this country direct from the manufacturer or the importer ?

A. The less Government imports, the better we will be pleased.

7981. *Q.* As regards Question No. 19, about the conflicts which arise, which Mr. Mant discussed, you have not converted the Indian Engineering Association to your point of view ?

A. I do not know.

7982. *Q.* They advocate Free Trade ?

A. They are not concerned with establishing industries in India.

7983. *Q.* You contend that the medicine would be good for them, but they are not prepared to admit it ?

A. No, we do not think the medicine will be particularly good for them. You need Protection if you want to establish industries.

7984. *Q.* This particular industry you are dealing with is established ?

A. It is established so far, but it is barely established. As regards steel, the prospects of manufacture in this country are on the border line and with every increase in the price of oilman stores and motor cars and ordinary luxuries, the cost of living for a European goes up and as long as we have a high proportion of European labour, it is correspondingly difficult to put prices down. Also other costs are rising, including coal.

7985. *Q.* You say that Japan is likely to put on a prohibitive duty against pig iron. That will raise the cost of Japan manufacturing Railway wagons and locomotives.

A. Not necessarily. Their own pig iron can compete with us.

7986. *Q.* Don't you think when you come to a neutral market, say supplying Railway materials to the Malay States, you will stand in a better footing than Japan from the very fact that there will be a rise in the price of pig iron ?

A. Yes, but Japan, I believe, is successfully manufacturing steel. They used Europeans to begin with but they then managed to train their own people. I believe they now carry on the manufacture almost entirely by Japanese.

7987. *Q.* You do not think that England's large export trade in machinery is due partly to her insistence on getting her raw material as cheap as possible ?

A. Yes, but we have not an export trade at present.

7988. *Q.* I take it that is what you are looking forward to ?

A. We are not looking very far so far in this direction. As regards steel it will be some considerable time before we can meet the Indian demand.

7989. *Q.* You are only looking to the internal consumption then ?

A. So far we have not looked much beyond that.

7990. *Q.* In regard to your reply to Question No. 29 you have not given more attention to the suggestion of yours ?

A. No.

7991. *Q.* Have you any suggestion for the means of investigating all these matters ?

A. We understand that in America it is one simplified system. All the manufacturers are asked to state their views.

7992. *Q.* It eventually must be done by the Assembly, I suppose ?

A. Yes, we think so.

7993. *Q.* Is there no danger of stronger industries having representatives in the Assembly exercising undue influence ?

A. Any Corporation has its influence everywhere. You cannot get away from that. Even with Free Trade the textile people have had a great deal of influence in the Assembly in the past.

7994. *Q.* When a protective duty is put on to foster an industry, even after the industry is established, the tendency would be for the industry to exercise an influence to prevent that duty going off ?

A. Yes, there are such dangers.

7995. *Mr. Seshagiri Ayyar*—*Q.* You have been asked already about Question No. 13. Your general attitude is this: that you would not give protection to any industry which is about to be started. It is only for industries which are likely to stand on their own legs, which show a capacity to stand, you would give protection ?

A. Yes.

7996. *Q.* Supposing there is raw material in the country and cheap labour available, and in consequence of a war we are likely to shut out free supply from elsewhere, would you not by means of bounties or subsidies give facilities for starting the industry in this country ?

A. (*Mr. Parsons*)—If there is any particular advantage and by so doing you would cause the growth of that industry, certainly I would assist the industry.

7997. *Q.* Kindly refer to your reply to Question No. 16. You say "In our opinion Government is now paying sufficient and suitable attention to hand industries." Will you kindly state what you mean by hand industries ?

A. (*Mr. Sawday*)—We are concerned mainly with the province of Bengal and Bihar and Orissa and those provinces are doing their best to introduce the use of *charka*.

7998. *Q.* A suggestion was made yesterday that so far as yarn of a finer quality is concerned, an import duty must be levied on it. Would not that affect to a certain extent the handloom industries ?

A. We are not competent to answer that question.

7999. *Q.* In your reply to Question No. 18 you say that if protection is given British firms would establish themselves here. One of the witnesses before this Commission has expressed the view that firms that establish themselves in India should as far as possible have their head offices in India. He instances the case of Railway wagons suffering in consequence of the establishment of the head offices in England. Would you like the British firms that establish themselves in India to have their head offices also in India ?

A. Yes, I agree with that.

8000. *Q.* Kindly refer to Question No. 30. Speaking of export duties you say " we consider that they should be used only for revenue purposes, though we think that in the case of foodstuffs Government is justified in trying to meet the perennial shortage of foodstuffs in the country by the imposition of an export duty." We are told that if an export duty on foodstuffs is imposed, the result would be that people would give up cultivation of foodgrains and take to some more remunerative work. We were told by a large number of witnesses at Lahore that the result would be a shortage of foodstuffs.

A. We should be rather pleased if a larger number of people would give up foodstuffs and take to industries rather than to agriculture.

8001. *Q.* You mean that there is sufficient population in the country which would be able to cultivate the fields as well as to supply labour to the industrial departments ?

A. Yes.

8002. *Mr. Coyajee—Q.* I see that your argument is that a basic industry should be started first. I would put it to you that generally this has not happened.

A. We are not competent to argue the point.

8003. *Q.* In accordance with the development of this basic industry we shall have to deal with the development of the production of machinery.

A. Unless you are prepared to do what we have suggested and protect the machinery which is manufactured in the country.

8004. *Q.* Incidentally this will also affect the development of the agricultural industry. Are agricultural implements easily made ? Do they require great skill ?

A. Yes, a good deal of skill is required.

8005. *Q.* Agricultural machinery is itself a basic industry so in order to develop one basic industry, you are required to develop another basic industry, that is what it comes to ?

A. We use resources of nature and make something out of that, you can certainly call that basic.

8006. *Q.* Would you advocate an import duty on pig iron at all ?

A. At the present moment it is not necessary, but we imagine later on it will be necessary, the same as in other cases.

8007. *Q.* An expert has put forward a proposal that we should put a duty on steel, iron, machinery, railway plant and rolling stock, the same duty of 11 per cent. What is your view ?

A. So far as the Association is concerned of course they would accept a flat rate but we doubt whether it would be fair to every industry. They would be left in the same position as they are now.

8008. *Q.* So far as the adjustment of the claims of protection of iron and steel and machinery goes, if a proposal is put forward that 11 per cent. duty be placed on them, what would be your opinion in the matter ?

A. We would be better off and others would be slightly better off.

8009. *Q.* On what estimate have you based this 11 per cent. duty ?

A. It is of course very difficult to base it on any estimate owing to exchange, but we thought we could just manage with that as a minimum.

8010. *Q.* Supposing an import duty was imposed on coal at the rate of Rs. 5 per ton, do you think in those circumstances you would ask for higher protection ?

A. We probably would have our own coal in the country as iron and steel manufacturers, but otherwise we certainly would.

8011. *Q. Mr. Jamnadas Dwarkadas*—In reply to Mr. Rhodes you said that you were in favour of a policy of revision of tariff. What do you think of a permanent Board that would go into these questions of tariff every year and suggest remedies ? The final decision, of course, will not rest with the Board, but it will be the duty of the Board to go into the questions thoroughly and make suggestions ?

A. Some such arrangement, we think, would be all right.

8012. *Q.* In answer to Question No. 18 you say that you welcome the establishment of British and foreign firms in India. We were told by a gentleman yesterday that this would be dangerous and it was for this reason he did not advocate protection ?

A. We do not think there is much in that.

8013. *Q.* You think the establishment of these firms would stimulate the industries that do not exist in the country ?

A. Yes. In our particular case you must work with imported labour in certain departments and a foreign admixture is inevitable for the present.

8014. *Q.* With reference to your reply to Question No. 25, do you think that the effect of the policy of protection on the whole would be beneficial to India ?

A. Yes.

8015. *Q. Sir Montague Webb*—I should first of all like to thank you for the very full and valuable written evidence which you have so kindly placed before us. It is so full that it leaves us with very little to ask. I will therefore only invite you to explain just one or two points. First of all I should like to know how many members there are in your Association and what they represent in the way of capital ?

A. There are about ten including the Indian Iron Steel Co., Tata Iron Steel, the United Steel Co. of Asia, and the Eastern Iron Steel Co.

8016. *Q.* Have you any idea what they represent in the way of capital ?

A. Between 25 and 40 crores I expect.

8017. *Q.* Perhaps you could send in this information later on ; it would be of use to us.

A. The Secretary will send you the statement (see paragraph 7116.)

8018. *Q.* A very experienced witness the other day in Lahore said that all the industries had to go through three stages, namely, the baby stage, the child stage and the adult stage. His recommendation was to nurse the baby, protect the child and free the adult. I should like you to tell us exactly in what stage you think the iron industries in Bengal are?

A. I think they are in the baby stage.

8019. *Q.* You actually want nursing ?

A. Yes.

8020. *Q.* How much nursing will you require to reach manhood ?

A. So far as the Steel Iron Company are concerned say another 30 or 40 years.

8021. *Q.* Do you require tariff protection ?

A. I think we do require tariff protection.

8022. *Q.* To what extent ?

A. We have said 11 per cent. as a minimum.

8023. *Q.* At present you practically only have $2\frac{1}{2}$?

A. Yes.

8024. *Q.* In answer to our Question No. 6 you say that any talk about the excise duty would be pointless. I take it that you recognise that if Government are very hard up for money they must collect revenue from some source or another. Would you in those circumstances consider a consumption tax unfair ?

A. We already pay that in our raw materials. I think the Government of Bihar and Orissa will certainly pursue their attempt to tax coal.

8025. *Q.* I presume that if a consumption tax were adopted, Government would arrange its import tariff so that the imported article would pay the consumption tax as well. Government might, perhaps, be so hard up that they would have to impose stiff taxation. Would you object to a consumption tax on goods manufactured in India ?

A. We would naturally prefer that the Government raise their revenue by a protective tariff, because the higher the duty on the goods we manufacture, the more likelihood there is of the Indian consumer coming to us for those articles.

8026. *Q.* But there is the less likelihood of the imported article coming in if highly taxed and, therefore the less likelihood of the Government securing all the revenue required from import duties alone; therefore

a consumption tax might be necessary.

A. Yes. But you are dealing with an essential when you come to iron and steel. There must be imports, if there is no local manufacture.

8027. *Q.* With regard to your remark that it would be pointless to talk of an excise tax, I should like to state that no matter how pointless you may regard it, it is conceivable that Government might have to impose a consumption tax or an excise tax of some kind.

A. Yes.

8028. *Q.* Now, with regard to your reply to Question No. 9. I have marked one sentence, namely, that "famines will lose their terrors" if you have protective tariffs here. We have heard from those who are extreme exponents of the free trade doctrine that a policy of protection would be likely to attract labour from agricultural industries and would therefore tend to increase the risk of famine. There would be less people cultivating in the field and consequently the risk of famine might be increased. Have you considered that?

A. There does not appear to be any sign of agriculture diminishing near the Tata Iron and Steel Works. The ground is as fully cultivated as before, although there is a heavy drain on the local population.

8029. *Q.* Your line of reasoning is that agriculture has a sufficient margin of labour to be able to contribute to industrial enterprise without any risk. In fact you go further and say that famine would lose its terror?

A. No doubt famines would be less dangerous.

8030. *Q.* Where is the food to come from to feed the additional labour which your industries will employ? Somebody has to grow that food somewhere. Do you think it would be grown in India or would India have to import food as she is doing now? I am asking for information on this point because it has been suggested by another witness that the stimulation of industries which a policy of protection would encourage might be a serious danger to this country?

A. The extra food has got to be obtained if industries are to flourish. Surely it is simple to stop all exports. At the present time food is exported.

8031. *Q.* Some classes of food?

A. Yes.

8032. *Q.* And some classes of food are imported too?

A. Yes.

8033. *Q.* Your Association does not feel any anxiety on this point. You are satisfied that the agricultural interests can look after themselves and be adequately developed notwithstanding the withdrawal of labour from the country side to towns for industrial undertakings?

A. The Jamshedpur Works drew several thousands of workmen from surrounding villages, and there is no sign of agriculture suffering.

8034. *Q.* In reply to Question No. 12 do I understand that your Association would prefer the present system of Government taking import duty into consideration in its Public Works estimates, and would prefer Government not having to pay the import duty?

A. No. We say it is very important that Government should actually pay the duty.

8035. *Q.* I understood you to say that Government have instructed the Stores Department to take the present duty into consideration in their estimates and as far as you know they are doing it?

A. We believe that officers have been told to take the duty into consideration, but we say that in working to estimates the temptation not to do so is very strong.

8036. *Q.* In your reply to Question No. 13 you say that Protection should be given to established industries suited to this country owing to the existence of the necessary raw material or otherwise. What exactly had you in your mind when you used the words "or otherwise"?

A. We were thinking particularly about sugar. Sugar is an indigenous plant in India, I believe the manufacture of which could be encouraged by intensive culture, the application of manures, better machinery, etc. That is what was intended to be covered by "otherwise."

8037. *Q.* In answer to Question No. 17 you refer to an import duty as fixing a sort of maximum price to the public for imported articles. Is it not more than probable that the public would pay the full amount of the import duty?

A. We have said that most of it would fall on the purchaser, but not all.

8038 *Q.* You suggest that the tariff should be revised annually?

A. You would have to do it actually to begin with. We do not think you would hit the tariff straight off.

8039. *Q.* Speaking as a practical merchant I should feel rather nervous about a tariff which is going up to the Legislative Assembly every 12 months for revision. But you feel that it would have to be done annually?

A. We think that you cannot perfect the tariff straight off.

8040. *Q.* Do you know of any protective tariff in the world which has yet been got right, because, as far as I know in most of the protected countries lobbying goes on with greater and greater energy every year?

A. That is so.

8041. *Q.* Many are under the impression that a tariff, if it had to be amended at all, could more suitably be amended at longer intervals than 12 months. That is why I am particularly interested to notice that your Association at any rate would be quite satisfied if the tariff were reconsidered every 12 months.

A. We contemplate that it should go eventually downwards. Also we are thinking commercially of developing industries.

8042. *Q.* But you have no anxiety about the annual revision of the tariff?

A. We have always said that we do not want the revisions to be made all of a sudden but gradually and regularly.

8043. *Q.* You want them to be small and frequent.

A. Yes, rather than seldom and sudden.

8044. *Q.* In answer to Question No. 19 you recognise that there might be conflicts of interest between the producers of raw products and the manufacturers of those raw products, but you think that the differences could be easily adjusted. Have you taken into consideration in framing that reply the producers of agricultural produce? I can see that the conflicts of interest between manufacturers of mineral products might possibly be easily adjusted. But the interests of the producer or seller of oil seeds looking for the best market and the man who wants to develop an oil industry in India by the aid of a 50 per cent. export tariff might conceivably conflict.

A. We have not considered it. We refer only to our own line.

8045. *Q.* I ask you more particularly because in your answer to Question No. 24 you say that the agricultural labourer is in a different position, that his wages can alter little and that he is affected very little. But that would not apply quite if there was a conflict of interests between the producer of agricultural produce and the manufacturer of the agricultural produce. The agricultural labourer might suffer very considerably if, for example, his particular crop went out of cultivation.

A. Yes. He might.

8046. *Q.* I gather from the answers that you have given this morning that you think that prices in India would not permanently be kept at a high level by a policy of Protection and that competition would bring it down.

A. Competition certainly will bring prices down.

8047. *Q.* You have guarded your reply by the introduction of several "ifs," the last of which is "if competition between Indian manufacturers comes into play."

A. We know it will come into play in the case of pig iron.

8048. *Q.* I seem to remember in the United States several instances where competition has not come into play to the satisfaction of the public with the result that Anti-Trust laws and other such things have been introduced. You do not think that such a thing would be likely to occur in India? At any rate I understand that this is the attitude of your Association is quite clear. You have already said that when your industry is developed you would have no objection to duties being lowered. In that case there would be no danger of harmful trusts or combinations.

A. We think not; we have not asked here, as an Association, for high duties.

8049. *Q.* At the end of your answer to Question No. 24 you look forward to an era of gently rising prices

brought about by gradual protective measures. Can prices always go on rising by the aid of duties?

A. If industrialism spreads, presumably there would be more and more articles which will want some sort of protection. There are many varieties of articles which you want to tax for protective purposes. If certain basic industries are established here other manufactures will start, and you will find gradually that you have spread the area of Protection. That, I presume, will result in gradually raising prices.

8050. *Q.* Can you foresee a time when prices will *always* be gradually rising? I have not seen it used seriously as an argument that Protection can go on permanently raising prices. A time must ultimately come when prices will move in the opposite direction. Has it not been so in the world's history?

A. Yes.

8051. *Q.* Protection may raise prices only for a short time. Is it not?

A. Yes.

8052. *Q.* But in so far as protective duties may produce a slight rise in prices you think it would be more advantageous than otherwise?

A. Yes.

8053. *Q.* I want to clear up a point in your answer to Question No. 25. You say "Protection, if effective, must reduce certain imports. Therefore exports will be reduced after exchange reaches its proper level."

A. It will reduce imports unless there is a demand for other imports.

8054. *Q.* Unless the demand for other imports increases, you mean that it is possible that Protection will merely alter the character of the imports?

A. Yes.

8055. *Q.* In your answer to Question No. 26 you say that it is impossible to bargain with Australia. Why?

A. Because, as far as we know, they are determined to keep us off by a duty.

8056. *Q.* And because another country by artificial means is determined to keep out the Indian goods you are prepared to take that "lying down" and say "Nothing could be done"?

A. That is their business. We are presuming that they are not taking our goods and that you are not going to refuse their goods, if it pays you to take them.

8057. *Q.* I have heard it suggested that 'Retaliation' is the right policy to follow if we do not want our own industries ruined. I do not understand that you are in favour of dumping by other people of their manufactured products into this country.

A. We do not say we want to do without them. But we do not want dumping in the case of articles which we manufacture.

8058. *Q.* You have already stated that you do not believe in retaliation at all?

A. No. I do not believe in retaliation.

8059. *Q.* Although the necessity for retaliation is brought about by the fiscal policy on the part of Australia?

A. We do not think there is any necessity.

8060. *Q.* Even if other countries shut out our products?

A. Then all trade must cease. If a country believes in stopping other people's trade they will do it. It is possible only when countries can establish superiority in any particular manufacture.

8061. *Q.* It is a very important point. It has been suggested to us that one of the strong points of a protective policy is that you can retaliate against countries who unfairly shut out your manufactured goods.

A. We do not know if retaliation has resulted in duties being eventually reduced, and we do not think we will succeed with Australia as far as our goods are concerned, because we get only a few things from Australia.

8062. *Q.* In your answer to Question No. 30 you refer to the perennial shortage of foodstuffs in this country. Is that accurate?

A. It has been accurate for the past several years.

8063. *Q.* But there is a large export trade in foodstuffs?

A. There is, but the prices have been abnormal. In 1917 there was a rise, in 1918 there was another rise, and after that there was again a rise.

8064. *Q.* At the same time you are assuming a permanent shortage of foodstuffs?

A. It is a fact that a large portion of the population of India gets only one meal a day.

8065. *Q.* I believe there are many people who would be better for only one meal a day!

A. We want the people to have two meals instead of one only.

8066. *Q.* Does your Association really hold that there is a permanent and perpetual shortage of foodstuffs in India?

A. Certainly. I think people ought to get and eat more food.

8067. *Q.* That does not mean that there is necessarily a shortage of foodstuffs. It really means shortage of money.

A. Shortage of foodstuffs by prices going very high. You are in a vicious circle.

8068. *Q.* It is not exactly a question of price. Foodstuffs are normally being exported from India. You cannot say that there is a shortage of foodstuffs. You might say that the social conditions in this country are such that foodstuffs do not all go into the stomachs which they ought to get into.

A. At present prices.

8069. *Q.* In answer to Question No. 50 you have given some figures about the Indian labour costs, showing the relative inefficiency of the Indian labour and you have stated that import duties will be necessary because of that inefficiency. Do I understand you correctly that in your opinion the imposition of a duty would facilitate the development of industries in this country and so tend to reduce the inefficiency of the Indian labour?

A. We say that we shall eventually be able to train up this labour to higher efficiency.

8070. *Q.* Import duties would be an advantage in enabling you to train the Indian labour to a higher state of efficiency. This is one of the reasons for which you advocate an import duty?

A. That is our main reason.

8071. *Q.* In answer to Question No. 52 you say that your industry only sometimes suffers from dumping.

A. At present, yes.

8072. *Q.* This Commission has been asked to make recommendations with regard to the tariff questions. How would you suggest we can recognise the dumping of an article when we see it?

A. You know it by the bounties and subsidies, etc.

8073. *Q.* Bounties and subsidies are one way. Is there any other way? You have suggested that India is the dumping ground of the world. There are not many countries that are paying subsidies and other things. I should like to know how you would recognise the dumping of an article if there is no subsidy attached to it?

A. We mean that there is dumping in so far as we let in everything free.

8074. *Q.* That is rather an extended use of the word "dumping;" is it not?

A. It is rather. But it is a general statement.

8075. *Q.* In your reply to Question No. 78 you prefer *ad valorem* duties. I believe that the universal practice now is tending in the direction of specific duties; that is to say, so much per ton, per hundredweight, per yard and so forth, as being the most satisfactory type of duty. Could you please tell us exactly why you would prefer *ad valorem* to specific duties? It is a very important point. If this Commission recommends a duty of any kind it must be either specific or *ad valorem*.

A. We were thinking of tariff valuations when we wrote the reply. There are two systems in India.

8076. *Q.* Would you prefer *ad valorem* to specific duties?

A. I think we should prefer *ad valorem* to specific duties.

8077. *Q.* Will you tell me why?

A. *Ad valorem* duties will look after the rise and fall in the cost of production and specific duties have necessarily got to be revised.

8078. *Q.* There will be no rise and fall in the case of specific duties. Would they not be simplest to pay in practice?

A. But you will have to revise it according to conditions.

8079. *Q.* That is common to all types of duties, is it not?

A. Instead of fixing duty according to value, you fix it at say 1 rupee per pound; you will have to pay it in spite of every rise and fall in the exchange.

8080. *Q.* It is rather an important point because opinion generally throughout the world is moving in the direction of specific duties. Most experts on the subject now think that all tariffs ought to be on specific amounts and not on monetary amounts, so that I should like to record exactly your reason for preferring *ad valorem* to specific duties.

A. When we wrote the answer to this question we were simply thinking of tariff valuations. As regards specific duties, we have not considered them.

(*Mr. Charteris*).—*Ad valorem* duty varies with the market. For instance, sulphur has gone down 10 per cent. in price in the last 12 months. Under tariff valuations the duty will be quite different from what it would have been under *ad valorem*. At the time that this reply was written we had this difficulty in mind, and I suppose that difficulty will arise in the case of specific duties also.

8081. *Q.* At the same time, if a duty is to be imposed, this Commission will have to recommend a duty of some form or another, and it is worth considering which form has the least disadvantage. You have not as a matter of fact compared *specific* duties with *ad valorem* duties.

A. No.

8082. *Q. Sir Edgar Holberton*—I understand that your Association has about 10 members. Have all those sprung up in the course of the last 10 years?

A. About 20 years.

8083. *Q.* Therefore there has been a very big industrial development in your trade in the last 20 years?

A. Yes.

8084. *Q.* And you want a certain amount of Protection under a tariff wall?

A. Yes.

8085. *Q.* Yet you tell us in answer to Question No. 46 that capital is now coming forward with proposals for great expansions?

A. It is so. As far as the iron side of the business goes, capital is coming forward. It is the steel side that is doubtful.

8086. *Q.* The question to consider is whether your industry has not arrived at a stage of its life when it can no longer legitimately demand Protection.

A. You might say that about iron, but not as regards steel.

8087. *Q.* Then you have to divide the industry into two parts. And steel, you think, has an irrefutable case for Protection?

A. Yes.

8088. *Q.* This new capital is willing to come in in present conditions?

A. It is all for iron now. Whether capital will come in for the steel side remains to be seen.

8089. *Q.* You recognise that the tariff will increase the price to the consumer, but you think that it is legitimate?

A. We consider that it is legitimate. If you don't think it legitimate take the tariff off things which may not be made in this country. It will do the consumer no harm. In fact it will be beneficial to him.

8090. *Q.* You presumably put forward a proposition to help the consumer out of the difficulty by proposing to take the duties off things which may not be made in the country.

A. If you do not believe in putting on a protective duty which may hit the consumer you can save him from hurt by taking off other duties from goods not made in this country.

8091. *Q.* That would be perhaps injuring other industries?

A. I think there is ample ground for manipulating the tariff without injuring any trade. We only try to include those articles which are manufactured in this country.

8092. *Q.* That is a very important point, and you would like fair treatment for everything which is manufactured in this country.

A. Certainly.

8093. *Q.* It is your desire to make India an independent country. In answer to Question No. 10 you say that India may become independent. Do you think that it would be an advantage to the country?

A. Independent as regards iron and steel?

8094. *Q.* Yes.

A. Undoubtedly.

8095. *Q.* Would not that remove competition?

A. What competition?

8096. *Q.* I mean to say that it would make people continue to remain inside the tariff wall and sell their stuffs at whatever prices they like.

A. It all depends on how high the tariff wall is.

8097. *Q.* You cannot provide India with the whole of her requirements of industries unless other people are prevented from competing?

A. No.

8098. *Q.* You may shut them all out?

A. We do not ask to shut them out. We ask here, as an Association, for protection to enable us to flourish.

8099. *Q.* When you talk of "independent," what is your idea?

A. We mean to say that the resources are here and the works can go up if opportunity offers.

8100. *Q.* You would like to put your industry in such a position that it can in times of stress or necessity provide the needs of India.

A. At any rate provide the essential needs of India.

8101. *Q.* In the ordinary course when there is no war, what would you do with your surplus?

A. We do not think, as far as we can see, that our industry will be able to supply more than 50 per cent. of India's need if these new developments come into existence.

8102. *Q.* You are then very far away?

A. Yes.

8103. *Q.* You have brought out an interesting point. You say that other countries have a system of taxing Government stores. Could you develop it?

A. I can point to the tariffs of the different countries. For example, in the case of Italy, you have for Railway Carriages—

a.	For goods and tenders . .	10 quintals.
b.	For baggage and postal vans .	14 ,,
c.	For passengers—	
	1st class	19 ,,
	2nd class	16 ,,
	3rd class	14 ,,

8103(*a*) (*Sir Montagu Webb*)—Your evidence is not directly to the point. You are only showing tariffs.

A. (*Mr. Sawday*)—We do not believe that there are any railways except Government railways in these countries.

8103(*b*) *Sir Edgar Holberton*—With regard to Imperial Preference, you would be in favour of granting a certain amount of preference?

A. Yes.

8104. *Q.* It has been suggested that this would cut off imports from non-favoured nations?

A. At the present time it would.

8105. *Q.* That is a point I would like you to develop.

A. At the present time steel will require 15 per cent. preference at least in order to compete with the bounty-fed steels.

8106. *Q.* That is to say, into this question of Imperial Preference must also be brought for consideration the question of bounties, subsidies, etc., given by foreign countries?

A. Their steel price is 10 to 12 per cent. below British steel price.

8107. *Q.* If you give Imperial Preference of 5 per cent. these bounty feeding nations will still be able to compete?

A. Yes, probably.

8108. *Q.* By granting preference to such parts of the British Empire as do not go in for bounties and such things you would actually not be harming trade in the least (I believe you are speaking of your own trade) and you would be helping the Empire without hurting your trade?

A. Yes.

8108(*a*) *President*—You said that you would help the Empire without any injury to India. You say that Belgium steel is selling at 10 to 12 per cent. below British steel. Suppose you give 5 per cent. preference. How

would that help the Empire? Belgium steel would still be selling cheaper

A. If you give 5 per cent. preference and counteract the bounty, you will just bring the price of Belgium steel to that of English steel.

8109. *Q.* You want preference to the full extent of the difference between the costs at which Belgium steel can be manufactured and British steel can be manufactured. You want to counteract the bounty and to give a preference of 5 per cent. Would not that raise the price of British steel in India?

A. Yes. Practically most of the duty will be paid by the consumer in India.

8110. *Q.* You think that if protection is given your industry will develop and that in course of time you will be able to manufacture sufficiently cheap in order to stand against foreign competition, and get the whole custom of your country in your own hands, and the country at that stage would not suffer by being independent of foreign competition?

A. Yes.

8111. *Q.* One answer you gave us was that the textile industry has had great influence in the Legislative Assembly. As far as I know it has been all the other way.

A. Lately? Was not the tariff on textiles re-imposed by the demand of the industry in 1910-15.

Sir Maneekjee Dadabhoy—The industry did not demand it: the Government of India imposed it for revenue purposes.

President—In those days the industry was in a hopeless minority in the Legislative Council.

Sir Maneckjee Dadabhoy—When I moved the resolution I was helpless.

8112. *President*—The Legislative Assembly as at present constituted are more in favour of imposing very heavy direct taxes. I never knew that the textile industry had increased its influence in the Assembly. There is only one more point, and that is with regard to your recommendation that Government should pay the import duty as well as the private importer. If Government instead of importing and paying the import duty were to buy from importers they would have to pay some commission to the middleman. Is it not so?

A. Presumably.

8113. *Q.* Therefore, you would advocate that Government should import these goods, but when comparing their price with that of local supplies, should add the import duty to their cost?

A. We do not say whether the Government should buy from the importers or should import them themselves, but we do say that the duty should come on the estimates when the stores are purchased.

8114. *Q.* If this import duty is charged on all supplies obtained by Government it would put local manufactures on a footing of equality in competing for the supply of Government. That is why you are advocating it?

A. Yes.

8115. *Q.* It includes railways, both private and Government?

A. Yes.

8116 **STATEMENT REFERRED TO IN PARAGRAPH 8017.**

THE INDIAN METALLURGICAL ASSOCIATION.

CAPITAL REPRESENTED BY MEMBERS.

	Rs.		Rs.
Bengal Iron Company, Limited	3,75,00,000	Fully paid	3,75,00,000
Bird & Co. (Representing the United Steel Corporation of Asia, Limited)	20,00,00,000	Authorised but not issued	20,00,00,000
Burma Corporation Limited—			
Share Capital	20,00,00,000	Authorised	21,00,00,000
Debentures	1,00,00,000	Rs. 13,54,16,820 issued.	
Cape Copper Company, Limited	1,21,50,000	.....	1,21,50,000
Eastern Iron Limited	1,00,00,000	50 per cent. paid up	1,00,00,000
Indian Iron & Steel Company, Limited	3,00,00,000	Fully paid	3,00,00,000
Tata Iron & Steel Company, Limited—			
Share Capital	10,52,12,000	Authorised and issued	15,02,12,500
Debenture and Loan	4,50,00,000		
Tinplate Company of India Limited	75,00,000	Fully paid	75,00,000
Villiers Limited	35,00,000	Fully paid	35,00,000
PRIVATE COMPANIES.			
Martin & Company	.....	.....	.....
D. Waldie & Company, Limited	.....	.....	.....
		TOTAL	66,08,62,500

BRANCH OF THE ASIATIC SOCIETY

Witness No. 54.

The INDIAN STANDARD WAGON COMPANY LIMITED, Managing Agents, Messrs. Burn and Company, 7, Hastings Street, Calcutta.

Written statement, dated the 2nd December 1921.

8117. *Q.* 43. Yes, as manufacturers of Railway rolling stock, fittings and allied articles.

8118. *Q.* 44. The natural advantages at present in India are :—

Large quantities of raw materials.

A. Works already in existence for making the Steel required and others in process of promotion.

The fact of getting in close touch with the people requiring the different items manufactured and the time saved by being able to deliver the finished articles direct to the customers ready for use.

8119. *Q.* 45. Not only is the industry essential to the national security of India, as has been clearly shown during and since the War by the lack of supplies from which the Railways suffered and are still suffering, but it is of substantial importance as opening up a field for the use of the raw materials which can now, or will shortly, be supplied in India.

The work, which up to quite recently, has been almost exclusively done out of this country and has therefore caused a considerable drain on the resources of the country, can be done in India and the money, which would otherwise leave India, will circulate in this country.

Another advantage of having this industry in a strong healthy condition in India is that, if for any reason supplies are cut off from outside sources, the work can still be carried on in this country to meet requirements which are very urgent.

By having these items manufactured in India, the present necessity of making indents from one to two years ahead of requirements is avoided, and owing to much quicker deliveries that can be obtained after the indent has been issued, a saving can be made in the amount of stock the Railway has to keep, thus releasing a considerable amount of money otherwise tied up.

8120. *Q.* 46. As compared with the outside manufacturers, the organization and equipment of this Industry is only now beginning to find its feet and it is only during the last 3 to 4 years that any attempt has been made to place a steady portion of orders in this country; without a steady stream of orders it is impossible to build up a satisfactory industry anywhere.

From the financial point of view, our competitors are very much better off than we are. They have been in existence for many years, have built up substantial reserves and written down the value of their plant, and can thus take up work at keener prices than a new company.

8121. *Q.* 47. The manufacturers of rolling stock, etc., in other countries, with the exception of the United Kingdom, not only have their own home market which is carefully protected from outside competition, but are able owing to this steady home work to compete on very favourable terms for export trade of this description.

Our biggest competitors for the rolling stock, etc., required by the larger Railways in India, are the manufacturers in the United Kingdom and the many advantages they have more than counter-balance the fact that they do not have Protection of their home market.

Not only are the Boards of Directors and Consulting Engineers of all Indian company-owned Railway lines domiciled in London but also the Consulting Engineers for the Indian State Railways.

Added to this, London is the Headquarters of many South American and other large Railways in the world and the Consulting Engineers for these Railways have their offices in London. The High Commissioner for South Africa and his Consulting Engineer are also there.

This ensures that the export trade to these different places should all be tendered for in London and our experience has been that the Consulting Engineers, when asked to allow our names to be put on the list of tenderers, in the majority of cases state that they cannot be responsible for inspection of work done in India, and they cannot agree.

This has occurred not only in the case of foreign Railways but also in the case of Indian Railways.

This practically prevents us from getting any export trade and also prevents us from quoting for the main portion of Indian work.

At the same time their method of issuing enquiries in London and only giving a matter of 3 weeks at the most for the return of tenders effectually prevents an Indian company from tendering for any of these requirements.

From this it will be seen that whereas our competitors not only have their home market work, but also a great deal of the export trade of the world to fall back upon, we, owing to the general backwardness of Indian industrial development have, as a whole market, only a very small proportion of Indian requirements on which to rely.

8122. *Q.* 48. (*a*) In the case of State Railways, the larger part of the competition that we meet is confined to the United Kingdom, but there has recently been a certain amount of continental competition as well.

On the company-owned Railways and narrow gauge lines, we have to meet competition from all European manufacturers as well as from those in the United Kingdom.

(*b*) As already explained in our replies to Questions Nos. 46 and 47, under the present circumstances it is almost impossible for us to obtain even an opportunity of competing in the export business.

Competition is met with in the case of all Railway fittings and completed stock that we make here.

8123. *Q.* 49. The information already given in connection withe the fact that the Board of Directors, Consulting Engineers and the senior buying agents are all stationed in London and that a very short time is given for the return of tenders, shows how these give the United Kingdom an advantage over the manufacturers in this country.

A further point is that the control in London of so much of the capital of the Railways in the different parts of the world, gives the manufacturers of the United Kingdom a big advantage over the manufacturers in this country by giving them command over a very large market compared to the one from which we can draw our work.

A further advantage which the United Kingdom and other European firms have, is that their populations have reached a very much higher state of industrial development than India and, therefore their supplies of skilled labour are very much greater and capable of a larger amount of work per man than is the case in India. Though there is no doubt that if industrial development is helped forward here, the Indian workman will, in time, be able to hold his own with his competitors, at present this is not the case.

Another advantage that the manufacturers in the United Kingdom have over manufacturers in this country, is that the raw material that has been duly passed at the Works of the sub-contractors is used for the manufacture of articles required without further inspection, and similar material, having gone through similar tests, supplied to us for the manufacture of these articles has to undergo a further test in this country and the contractor has to pay for the cost of this test. It will be at once realised that this double inspection is of distinct advantage to the manufacturers in the United Kingdom and it will not be altered until the whole of the raw material required for our business is manufactured in India. As it costs a considerable sum for the correct inspection of material, it will be seen that this advantage may be a very appreciable financial one where the actual labour on an article is small compared to the value of the material in it, not to mention the delay, etc., that the second inspection causes and the effect of this on output.

European manufacturers import all materials and fittings required by the State Railways in India free of customs duty.

We import raw material and work it up and the Customs authorities take up the attitude that this raw material can be used for any purpose and consequently charge customs duty at the rate of 2½ per cent.

As the material in a wagon is approximately ⅔th of the value of the wagon, this gives the European manufacturers a very considerable financial advantage.

8124. *Q.* 50. Yes.

We suggest that a customs rate of 11 per cent. should be applied to all imported Railway rolling stock, fittings and allied items.

It is extremely difficult to get reliable figures owing to the changes that have taken place in the last 6 years but we think that the above rate would be enough to enable us to make our tenders sufficiently attractive to the Boards of Railways domiciled out of the country to cause them to make arrangements for inspection, etc., in India by their Consulting Engineers.

8125. *Q.* 51. In time everything else being equal, Indian industries will develop to such a state that they can face foreign competition without the aid of Protection but as long as the indirect advantages mentioned remain it will be necessary to assist the Industry to a certain extent.

8126. *Q.* 52. There is no doubt that, when work is scarce amongst our competitors, they do supply articles, for which both countries are tendering, at under-cost rates to keep their works going, and as in the majority of cases they have large financial reserves owing to their long existence, they are able to do this. For a new company without financial reserves it is impossible to take the work at under-cost.

8127. *Q.* 53. Yes.

As an example, during the rise in the sterling value of the rupee in 1919, an Indian firm of rolling stock manufacturers prepared a tender for an enquiry in London and this was posted one evening as the tender was due at noon the next day: the quotation was in rupees and over night the sterling value of the rupee advanced 8½ per cent. automatically, giving an increased sterling value of the tender when compared with the other competitors' sterling prices.

8128. *Q.* 54. As long as the exchange variations occur the phenomenon will remain.

8129. *Q.* 55. A generally satisfactory remedy is a very difficult thing to devise.

In the case of Government orders it could be arranged definitely that tenders should be compared on a basis of exchange which is considered normal, say 1*s.* 4*d.* to Re. 1-0-0 and the order placed on the result obtained by so doing.

Where private Railway and other companies are concerned it is very much more difficult, as their interests in the industrial development of India are not so obvious as are those of the Governments of India and the Provinces.

In fixing the basis for Government comparison it must be borne in mind that increase above 1*s.* 4*d.* given to the value of the rupee automatically decreases the rupee comparison value of the foreign tender without benefiting the Indian workman or firm at all, and the more raw materials and semi-finished materials are obtained in India the worse the effect will be if the basis comparison rate is taken above the pre-war normal rate.

8130. *Q.* 56. Very little benefit has been received by the industry generally, owing to the fact that the larger proportion of orders placed for this type of work have been for Indian State Railways and this work as already has been stated, comes in from outside free of customs duty with the result that any increase in the customs duty on steel, iron and similar raw materials automatically assisted the outside manufacturers as against the Indian manufacturers and will do so as long as State Railway materials are allowed in free of duty.

An essential of any assistance for the industries of India is that all fittings, etc., coming into India whether for Government or not, should pay whatever customs duty is ruling at the time of entry in this country, no discrimination whatever being made.

8131. *Q.* 57. As already stated conditions are such that it is practically impossible for the manufacturers in this country to enter into the export trade and therefore the business will not be affected by the export duties. If however conditions alter and an export trade can be built up, it is essential that export duties should be avoided.

8132. *Q.* 58. No.

8133. *Q.* 59. Yes. Steel in all forms.

8134. *Q.* 60. Assistance should be given to industries according to their needs.

Oral evidence of Mr. ALFRED CRAVEN, Calcutta the 6th January 1922.

8135. *President.*—*Q.* You represent Messrs. Burn & Co., so far as their Indian Standard Wagon Co., Ltd., is concerned?

A. Yes.

8136. *Q.* You are interested in the manufacture of Railway rolling stock, fittings and allied industries?

A. Yes.

8137. *Q.* In answer to Question No. 47 you say "The manufacturers of rolling stock in other countries, with the exception of the United Kingdom, not only have their own home market which is carefully protected from outside competition, but are able owing to this steady home work, to compete on very favourable terms for export trade of this description." Your demand is that India should obtain as far as possible, as other countries are doing, all her requirements in this direction from factories established in India?

A. Yes.

8138. *Q.* Do you also expect to compete in outside markets?

A. Yes. We hope to compete in the East and Far East.

8139. *Q.* In the next paragraph you say 'Our biggest competitors for the rolling stock, etc., required by the larger Railways in India, are the manufacturers in the United Kingdom, and the many advantages they have more than counterbalance the fact that they do not have protection of their home market." What are the many advantages?

A. The first advantage they have, Sir, is, taking Indian Company Railways into consideration, that the Board of Directors, the Consulting Engineers, buying agents, everybody who is concerned in the purchase of the materials for Railways in India, are domiciled in London, and every order of any size has to be placed in London. The inspection staff and Consulting Engineers are all in London, and if we wish to get any work for a company line, we have to compete and put in our tender in London. Before we can get the tender forms, we have to get the authority of the Board of Directors; they have to ask their Consulting Engineers if they approve of a tender from us being received. The Consulting Engineers, when asked to put our names on the list of tenderers, state in the majority of cases that they cannot be responsible for inspection of work done in India. That is a very big advantage to English manufacturers. The second advantage is, in any enquiry for Indian Railways, issued in London, we are never allowed more than about 3 weeks for the return of the tenders. In those three weeks we have to obtain drawings in London, get these to India, obtain raw material prices, make up our estimates, cable prices to our London offices, who have to fill in the tenders and submit them. It is impossible for us to do this. Therefore we are completely cut off from any work for company-run lines. As far as the State Railways are concerned, even their Consulting Engineers are at home too. That is one of the advantages. Another advantage is that the headquarters of most of the South American and a number of other large Railways of the world are in London. The buying agents for the South African Government Railways and for the Australian Railways are all domiciled in London. The enquiries are issued there and they have their own inspection staff. That is all to the advantage of the home manufacturers, because they are on the spot.

8140. *Q.* How do you account for the fact that other countries like South America prefer to have their

buying agents in London instead of getting their supplies from the cheapest and the best markets?

A. Because the majority of the capital of the South American Railways is held in London. Therefore the Boards of Directors are in London.

8141. *Q.* Why do you make a distinction between the two kinds of Railways in your answer to Question No. 48 (*a*)?

A. Because up to the time this evidence was sent to you, the Government of India had always had in their tender forms a statement that only British or Indian material was to be used. Since this evidence was submitted to you that clause has been deleted, and therefore the two can be combined. So that we now have to face the competition from Belgian and German manufacturers, not only as regards company lines, but also as regards State Railways. The Government of India till recently never accepted any tenders for rolling stock materials of which were not either British or Indian.

8142. *Q.* Another advantage you refer to is supply of skilled labour, and the turn out per man of a larger amount of work. How long do you think it will take to train up Indian workmen to be sufficiently efficient?

A. That is a very large question. Speaking of the labour that we have entertained for the last 12 months, it will take anything from 5 to 10 years to train them to come to any high efficiency.

8143. *Q.* Then you say "This double inspection is of distinct advantage to the manufacturers in the United Kingdom and it will not be altered until the whole of the raw material required for our business is manufactured in India." Do you expect to be able to manufacture all our requirements in India?

A. Yes, Sir. There is no reason why we should not be able to do so.

8144. *Q.* How long do you think it would take?

A. It is a question which I could not answer.

8145. *Q.* The Customs authorities, you say, are charging you at the rate of 2½ per cent. on the raw materials that you bring. What proportion of your raw materials do you import and what proportion of your raw materials do you get in India?

A. At the present time two-thirds of the raw material used in a wagon is imported.

8146. *Q.* On two-thirds of your raw material you pay 2½ per cent. duty, while Railway wagons come in free.

A. Yes. All Government imports come in free.

8147. *Q.* Will you please refer to your answer to Question No. 53? You make your tender in sterling?

A. This was a case that happened in London while I was at home. Being at home I was able to deal with any enquiry in London personally. The tender was prepared, and to avoid any possible loss through exchange, it had to be given in rupees. But all the other tenders were in sterling, and the basis of calculation was in sterling. The rupee on Monday morning was 2*s.*, but on Tuesday morning it was 2*s.* 2*d.* That automatically sent our tender up as compared to the tenders of the home manufacturers.

8148. *Q.* These tenders are invited in what currency?

A. In sterling.

8149. *Q.* Therefore, if India is buying at the local currency, in rupees, would it not be an advantage to local manufacturers? I mean if the Government insisted on tenders being made in terms of rupees.

A. Oh, yes. Most decidedly.

8150. *Q.* At the end of your answer to Question No. 56 you say "An essential of any assistance for the industries of India is that all fittings, etc., coming into India, whether for Government or not, should pay whatever customs duty is ruling at the time of entry in this country, no discrimination whatever being made." Then, you would recommend that Government should charge to itself the amount of import duty which is levied from private importers in order that there may be an equitable comparison between the two parties?

A. Yes.

8151. *Sir Edgar Holberton.*—*Q.* Returning to the question which the President touched on, the tender in London, you said that it was a sterling tender?

A. Yes.

8152. *Q.* Then, how did you tender in rupees?

A. I was at home and I had already discussed it with the Chairman.

8153. *Q.* You said that they gave you only three weeks?

A. Yes.

8154. *Q.* You cannot tender within that time?

A. No. It is impossible.

8155. *Q.* How long has your work been in existence?

A. The company was formed at the end of 1918.

8156. *Q.* When was it opened for work?

A. It was opened for work last year.

8157. *Q.* What is its capacity?

A. When fully-going its capacity will be 3,000 wagons a year.

8158. *Q.* Have you got any idea of the number of wagons required by the Indian Railways here?

A. Perhaps I could give you the information in another form. The slope of the curve showing the annual normal increase in locomotives up to the beginning of war was a steady upward one and during the war it remained horizontal. The gap between the point which the normal increase slope would have reached in 1920 and the point showing the actual position in 1920 was equal to a shortage of 1,500 locomotives. Taking the number of wagons equivalent to one locomotive as low as 35, then the approximate shortage of wagons is in the neighbourhood of 2,000.

8159. *Q.* Do you actually find a market for your wagons now?

A. Only on Government Railways.

8160. *Q.* In India?

A. Yes.

8161. *Q.* Do you think they can take as many as you can make?

A. That is the trouble. The State Railways are not big enough. As they are, we must have orders from some company lines.

8162. *Q.* If the companies' Boards come out here, it will be of some assistance to you, won't it?

A. It would be very much better than it is now.

8163. *Q.* Are there any other manufacturers not controlled directly by the Railways in India?

A. Yes. Messrs. Burn and Co., Ltd., and Messrs. Jessops.

8164. *Q.* Burn & Co. are the Managing Agents for the Indian Standard Wagon Company, Ltd?

A. Yes.

8165. *Q.* Is the capacity of the other two the same as your own?

A. The total capacity of the other two is about two-thirds of ours.

8166. *Q.* Therefore, the total number of wagons produced in India is about 5,000 a year?

A. Yes.

8167. *Q.* Without further material addition to their plant, they could not do more?

A. No.

8168. *Q.* Your trouble is that you have to pay 2½ per cent. duty on your imports?

A. Yes, that is one of the troubles.

8169. *Q.* You think you will get over some of your troubles by Government paying a duty on everything they import?

A. That helps to balance things naturally. The idea, of course, is that if they have to pay a duty, they will make a more accurate comparison of the local and foreign prices.

8170. *Q.* Do you think that an executive order that such duty should be calculated when placing orders, would do, or would you have it paid?

A. It should be paid.

8171. *Q.* In your answer to Question No. 49 you say. "Another advantage that the manufacturers in the United Kingdom have over manufacturers in this country, is that the raw material that has been duly passed at the works of the sub-contractors is used for the manufacture of articles required without further inspection, and similar material, having gone through similar tests, supplied to us for the manufacture of these articles had to undergo a further test in this country." Now, what does that mean?

A. We are competing with a firm in England. We both of us use a particular iron called grade 'A' iron. That grade of iron can only be obtained from certain manufacturers in England, and both of us place our orders for that grade of iron with the same firm. Both of us have to make arrangements for testing that iron before it leaves the manufacturers, in order to see that it is up to the specification. As soon as the test is completed, the material is despatched from

the works to our home competitor and to ourselves. The home competitor then forges it up and puts it on the wagon: he has finished with it and then there is nothing more to be done. But when the material for us comes over to India, the Indian Inspection Department takes it over and says we cannot use it until it is again tested.

8172. *Q.* You mean the Inspection Department of the Railway?

A. The Government of India Inspection Department, which is under the Industries Department.

8173. *Q.* Is that in accordance with the law of the land?

A. The test is to see that it is in accordance with the specification.

8174. *Q.* I have known the system of test in my own business, but I have never heard of this further test. The English manufacturers ship their chains after certain tests. My people have imported any quantity, but I have never known of this further test.

A. The rules have been revised within the last six months.

8175. *Q.* Revised by whom?

A. By the Government of India. We have to keep an Inspector at home,—a reliable man—to see that all these materials are up to specification. When it comes out here, it has to be inspected here again. No manufacturer will guarantee his iron after it leaves his works, and the Government Inspection Department has the right to refuse the material. Sometimes it is thrown on our hands. It all means expense and delay, another three months in getting new material. Of course, it is a very big advantage to the home manufacturer to know that he has finished with tests when the material leaves the manufacturers' works.

8176. *Q.* I want to know why the iron tested at home should fail here? If the test is good enough to be accepted at home, why should it fail?

A. There is always the possibility of a batch containing an odd piece that will not quite come up to standard: if so, and if this should happen to be chosen as the Indian test piece, then the whole batch of material might be rejected.

8177. *Sir Montagu Webb.*—*Q.* I understand from your evidence that you would recommend 11 per cent. import duty for the protection of your particular industry?

A. Yes.

8178. *Q.* But on reading your evidence in chief through, it appears to me that the difficulties which you have to meet are of a kind which fiscal remedies can hardly help to overcome? Are you satisfied that 11 per cent. would protect you?

A. Eleven per cent. is based on the assumption that the duty on raw materials remains at 2½ per cent. If the import duty on raw materials is raised above 2½ per cent., the 11 per cent. would have to be raised. The reason why we have suggested 11 per cent. is that over a number of years we have been within 5 per cent. of the home manufacturers' prices; and deducting the 5 per cent. and 2½ per cent. it leaves 3½ per cent. to enable us to make it sufficiently attractive to Company lines for them to place orders with us, and still be in a position to pay any extra expenditure for their Consulting Engineers inspecting the work out here. That is how the figure is worked out.

8179. *Q.* Most of the Railway materials imported are for State Railways?

A. It depends on how you look at it. There are only three Railways that are referred to by us as State Railways *viz.*, the North Western Railway, the Oudh & Rohilkhand Railway and the Eastern Bengal Railway. The others are all considered as Company lines.

8180. *Q.* Do their materials come in free of duty? I mean the Company Lines.

A. In the case of the joint enquiries that are now made by the Government, (they ask for a certain number of wagons which they afterwards tell off to different Railways). The materials are ordered by the Secretary of State and come in free of duty.

8181. *Q.* The point I am driving at is this. If most of the Railways in India are State Railways, would it be to the general interest of this country to impose an import duty on rolling stock?

A. It is taking from one pocket and putting it into another as far as the Government is concerned.

8182 *Q.* Will it be an advantage to this country as a whole: in other words, will it build up the rolling stock industry which it is desirable to encourage in this country?

A. Have you done much travelling during recent times since the end of the war?

8183. *Q.* Yes. But that fact does not answer sufficiently my question. It certainly shows that more and better rolling stock is wanted, but not necessarily that the rolling stock is required to be built in this country?

A. That is one of the main reasons why it should. The bad state of the rolling stock during and since the war is due to the fact that during the war there was nobody here in India capable of dealing with the repairs and renewals required. There was only a very small capacity here proportionately to the requirements. That is why the industry is essential and should be encouraged.

8184. *Q.* Then I take it that your argument for going to the expense of establishing a rolling stock industry in this country is that in case of emergency, the country should be able to supply its own rolling stock and not have to depend on outside countries?

A. Yes, that is one of the reasons.

8185. *Q.* Is there any other reason?

A. Yes.

8186. *Q.* What is the other reason?

A. It will be a very great advantage to this country to have their rolling stock from people here who are in touch with them and who know exactly what they require the whole time, rather than having to get it from a place 8,000 miles away from people who are never in touch with them.

8187. *Q.* I suppose you have also in mind the employment of Indian labour and capital and it would be a general advantage to the people to have a local industry?

A. That is so.

8188. *Q.* In your last answer, *i.e.*, your answer to Question No. 60, you say "Assistance should be given to industries according to their needs." Will you kindly explain what you mean by the word 'needs'? Is it needs of the country or industry?

A. In that particular case we had in mind the building up of the industry.

8189. *Q.* What kind of industries do you think needs to be built up in India? Presumably you include the rolling stock industry?

A. We naturally do that, Sir, and as far as we are concerned, we think any industry in which Indian capital is put in and which will give employment to Indians and therefore bring or save money to Indians, should be built up.

8190. *Q.* Do you include the possession of raw products in this country as an argument for establishing an industry?

A. Most decidedly. What is the good of having all the raw materials if you cannot take advantage of them?

8191. *Q.* What you mean by stating that assistance should be given to industries according to their needs, is, I take it, that industries for which raw materials exist in this country and for which Indian labour and Indian capital can be employed, should be assisted?

A. That covers a very wide field.

8192. *Q.* That is what you mean by assistance should be given by the aid of a tariff to industries "according to their needs"? You mean that industries for which the raw materials exist in this country and for which Indian labour and capital and Indian talent generally can be employed should be assisted?

A. Yes.

8193. *Mr. Coyajee.*—*Q.* What percentage of the country's demands for rolling stock is actually being made at present by the two firms that you have mentioned?

A. The total Railway materials purchased last year approximately came to about 17 crores. I am not sure of this figure, but I believe orders to the extent of 17 crores were placed last year, and the total placed in this country was about one crore.

8194. *Q.* Will you kindly recapitulate on what facts you base your rate of 11 per cent.? How do you arrive at the 11 per cent.?

A. Over a number of years, a comparison of the home and Indian prices showed an approximate dif-

ference of 5 per cent. in favour of the home manufacturer. Allowing 2½ per cent. for the customs duty, it brings it up to 7½ per cent. Then to make our tender attractive to company Directors, to get them to place orders out here, 3½ per cent. is necessary to cover the extra inspection charges, etc.

8195. *Q.* If the Directors of Railways are stationed in India, many of your difficulties would be removed and you would require less Protection. The margin which you have kept to make your tenders specially attractive would not be necessary?

A. It depends entirely on whether the Consulting Engineers come out here.

8196. *Q.* If Railway Boards and Consulting Engineers are stationed here, you would require a smaller amount of Protection?

A. There will be more chance of getting work in this country.

8197. *Q.* Your 11 per cent. duty is based on the fact that raw materials pay an import duty of 2½ per cent. If, however, Protection is granted to iron and steel manufacturers, then perhaps you would have to ask for more Protection in proportion?

A. Yes.

8198. *Mr. Seshagiri Ayyar.*—*Q.* I think you said that most of the Boards of Railways are in England?

A. Yes. The South African Railways and the Australian Railways have their High Commissioners and Buying Agents in London.

8199. *Q.* So far as private companies are concerned, most of them probably are in London?

A. Yes.

8200. *Q.* As regards the Government Railways, they have their buying agents in London. Under these circumstances, can we reasonably complain that our Board of Directors are in London?

A. In the majority of cases, for example, the South American Railway Companies, the whole of the capital is held in London. They are not State-owned Railways at all. As regards the Indian Railways, as has been stated, the majority of the capital is held by the Government of India.

8201. *Q.* Therefore it would be an advantage?

A. Yes.

8202. *Q.* I think you said in answer to the President that since you sent in your written evidence, so far as the State Railways are concerned, the articles are not only purchased in England, but also in the continental countries?

A. Yes.

8203. *Q.* I believe I have read in the evidence given by Sir William Meyer in regard to purchases from European countries, that what generally happens is that the tenders from foreign countries are shown to English merchants and the English merchants have the option of saying whether they would supply at the same rate, and consequently the whole order is placed in England and not on the Continent?

A. That is so. Recently, we have asked the Government of India to treat the Indian manufacturers in the same way. We have had no reply yet.

8204. *Q.* You think all these difficulties can be removed if the Board of management is located in this country?

A. A great many of them, but I must qualify that by saying that the Consulting Engineers and their inspection staff should also be stationed here.

8205. *Mr. Rhodes.*—*Q.* About the question of the Railway Boards in London, is the reason why the South African and South American Companies make their purchases in London because the Boards are there or is it that they have no means of getting the stuff locally? What is the primary reason?

A. In South Africa, for instance, there were no manufacturers. They are only just starting. They are supplying some of their own manufactures now.

8206. *Q.* The reason for buying in London is economic?

A. Yes.

8207. *Q.* Then is the contention of economic reason as regards India disappearing with our local manufactures?

A. Just the same as it is disappearing in South Africa and in Australia.

8208. *Q.* You would rather have Railways with local Boards here and the Chief Consulting Engineers out here, even if they should have Engineers in London to pass the materials? That would be an ideal arrangement from your point of view?

A. Yes, it would suit us as well as everybody.

8209. *Q.* That would minimise the necessity of duties to some extent?

A. To some extent it naturally does away with the disinclination which there is at present to place orders here.

8210. *Q.* When you started your Wagon works, (I have not referred to your prospectus), I suppose you held out hopes of good dividends to shareholders?

A. The Standard Wagon Co. was floated as the result of a Government Communiquè, which is being read in a different way now to what it was then. It looks almost a political question, and yet it is not.

8211. *President.*—*Q.* You might explain it a little.

A. It is a very awkward thing to explain it. The communiqué was issued when the Government of India remembered its difficulties. It is now three years ago and the difficulties have passed.

8212. *Mr. Rhodes.*—*Q.* When you floated your Company, you did so in the expectation of preferential treatment?

A. That is so, because of this Communiqué.

8213. *Q.* That is really not as regards price, but as regards placing of orders, you expected preference?

A. We expected that the Government of India would act in accordance with what had been stated by several of its members at different times that they wished that industries in India should develop, and on the strength of that we went to the Indian public and got the capital.

8214. *Q.* Did you expect then that the Government would pay you a higher price than the British manufacturer or that they would merely give you the order at the same rate?

A. We expected at least to get the offer of the order.

8215. *Q.* In answer to Question No. 46, you say "Without a steady stream of orders it is impossible to build up a satisfactory industry anywhere." It is fairly obvious that a steady stream of orders would be better than Protection?

A. I think it would be. If we knew that we were going to get steady work to keep our works going 8 hours a day, we should hold our own with anybody.

8216. *Q.* Then if Government were to place a contract with you for a series of years on equal terms, you will be quite satisfied?

A. Yes.

8217. *Q.* Would you accept a sliding scale based on the cost of material?

A. All our works for the last three years has been on the basis of a sliding scale.

8218. *Q.* Supposing you ask Government to give you a contract at to-day's rates for 10 years, Government might suggest that they would give the contract on a sliding scale?

A. We have already done that for years and would have no objection to doing it. The cost this year could be treated as the standard amount, and the price of the wagon could be based according to the cost of material in each year.

8219. *Q.* Then you are not really asking for Protection so much as a little more consideration and fairplay from the Government of India and the Railways generally?

A. We have come here because it is the only way of our getting assistance to enable us to carry on. We cannot get on through other ways. We must have fiscal assistance.

8220. *Q.* That means, in other words, you admit there is an evil which you do not see any way of getting round and therefore you want to compensate that evil by Protection?

A. If I may put it in another way, at present there is the biggest slump the world has ever known. I know from personal knowledge that some of the largest rolling stock Works in England are working 2 days and less than 2 days in the week. Those people have got materials, capital and resources behind them. I know from my home experience that if they would not get work at or above cost price then rather than close down their works, they took work at any price, often well under cost to keep the works going (so as to cover them for materials and labour and get a small sum towards charges). We are not in a position to stand that. We have no resources.

8221. *Q.* Broadly speaking, apart from the depreciation at the present moment, if you have a long contract

on a sliding scale, you do not think you need Protection?

A. If we were sure of that, we should not need Protection in that way. We have already stated that we want Protection only for a certain time. We should have then trained our men.

8222. *Q.* A gentleman before us this morning wanted to put 11 per cent. import duty on materials. You would require that Protection in that case?

A. Yes. Of course that goes without saying, because we could not get anything in India.

8223. *Q.* Supposing everything imported paid 11 per cent., you will not be injured at all?

A. As far as we are concerned, it would give us a Protection of approximately 3·5 per cent., if everything has to pay a duty of 11 per cent.

8224. *Q.* If orders were placed in this country, would you prefer that all orders are placed in this country on a rupee basis, whether the orders are placed by the agent of a home company, or otherwise?

A. Yes.

8225. *Q.* Do you think it is a fairer way of doing it than the present way?

A. That is the only fair way to the Indian manufacturer.

8226. *Q.* Have you ever contemplated the question of exporting wagons?

A. Yes.

8227. *Q.* How will the 11 per cent. duty act in regard to export trade?

A. That brings up the economic working of large works just the same as Belgium or Germany is doing at the present time. They have their Protection, but they can export at a very much lower rate. If you have the Works going for 8 hours a day steadily and you give this big export work thus filling in the other 16 hours of the day, that reduces your charges by about 50 per cent., and therefore the export work can be taken at a much lower figure.

8228. *Q.* If you are paying on imported material 11 per cent., you are not in such a good position to export as you would be with absolute Free Trade by which you will be able to bring your material free? You would prefer to have absolute Free Trade in the country, I suppose, from that point of view?

A. No. Unless you have got the home trade, you will have no export trade.

8229. *Q.* But your export trade would surely be handicapped by the duties paid on the raw material imported?

A. If you were doing nothing else but export. As far as we are concerned, we could not live on export trade alone.

8230. *Q.* Putting the thing on a concrete basis, would you have no duties or 11 per cent., for everything?

A. 11 per cent., for everything.

8231. *Mr. Mant.*—*Q.* I understand that 3½ per cent. will give you sufficient Protection?

A. It still leaves 1½ per cent.

8232. *Q.* At present you pay 2½ per cent. on imported material, and you ask for a duty of 11 per cent. on the finished articles?

A. The alternative put to me just now was no import duty at all, or 11 per cent. on everything. That is the choice between these two alternatives.

8233. *Q.* You choose the lesser evil?

A. Yes. It is really 8½ per cent. over the raw material rate we ask for.

8234. *Mr. Jamnadas Dwarkadas.*—*Q.* I should like to clear up the point that Mr. Rhodes put to you as to whether you would be satisfied with a guarantee of a contract from the Government of India or whether you want Protection. I take it that you want Protection, because that would ensure Government buying from you?

A. Yes.

8235. *Q.* Supposing Government gives a contract to one firm, it does not mean that the whole industry receives any benefit?

A. It would be very much better for the whole industry if it is protected, rather than giving a contract to one firm.

8236. *Q.* You would advocate Protection, because it would help the industry in India?

A. Of course, competition is always a good thing.

8237. *Q.* And you would not be satisfied with Government if they merely gave you a contract and did not give Protection to the industry?

A. It would be better to have Protection for the purpose of the industry generally.

8238. *Q.* You have fully enumerated the disadvantages that your industry suffers and you said you started the Wagon works because of the Government Communiqué. Don't you think that your position is the same as that of the dyestuff industry in England?

A. Yes, it is very similar to that.

8239. *Q.* There the Government has come to the rescue of the dyestuff industry, a bill is passed which practically gives them Protection and you would claim that just as in the dyestuff industry the capital of the company was subscribed on the strength of the Communiqué. You know however much there was opinion in favour of Free Trade in England, when the Dyestuff Bill was passed in April, there was not one dissentient voice?

A. I cannot say.

8240. *Q.* I can tell you that that was so. Applying the same argument, you would claim Protection under similar circumstances?

A. We are doing so.

8241. *Sir Maneckjee Dadabhoy.*—*Q.* You started your Works in 1919?

A. Yes.

8242. *Q.* When did the slump commence?

A. Our capital was floated towards the end of 1918. The slump started about the middle of 1920, just as we were getting out our plant.

8243. *Q.* You started these works on the strength of the Government communiqué?

A. Yes.

8244. *Q.* And you have not received assistance from the Government you contemplated in the matter by a stream of orders?

A. No, we have not received what we expected.

8245. *Q.* This is due to Government securing goods at a lower rate in England or through any other causes?

A. One of the causes certainly has been the lack of money last year. They would have helped us more if their financial position had been better. But this year, I believe it is a case of people at home keeping their Works going at any cost.

8246. *Q.* You have stated that the total amount of orders was about 17 crores of rupees?

A. I believe it was so.

8247. *Q.* Out of which you got one crore. Will you kindly tell us how much came from the United Kingdom and how much from foreign countries?

A. Last year you can take it that practically the whole of the orders placed by the Indian Railways were executed in the United Kingdom. I have given you the figure without reference and I cannot guarantee it, but the figure of 1 crore is correct.

8248. *Q.* Was there no competition between the United Kingdom and foreign countries?

A. Not in the beginning of last year. The orders to foreign countries were placed only in the latter part of the year.

8249. *Q.* You say that in this country there is a deficit of 60 to 70 thousand wagons?

A. That is according to the rise of the normal expansion curve. 1,500 locomotives are short and there are certainly 50 wagons for every locomotive.

8250. *Q.* You consider that there is ample scope for this industry if Protection is given?

A. Yes.

8251. *Q.* You say that you are completely cut off for any work on the open markets because you have no buying agents. Could not you have your buying agents in London?

A. We have our London office, but as the estimates and the drawings of different types of vehicles have to be done in this country, they are not in a position to be constantly in touch with the changes out here.

8252. *Q.* Will not the High Commissioner in London be able to help you in this matter?

A. The High Commissioner really does not come in.

8253. *Q.* Could not he be asked to look into these Companies?

A. Yes, possibly if he could find time.

8254. *Q.* That would be one way of helping the industry of the country?

A. Yes.

8255. *Q.* You say that two-thirds of the material is imported into India. Where do you get the other one-third from?

A. The rest of the material is obtained from Messrs. Tata & Sons.

8256. *Q.* What sort of material?

A. Steel, steel channels, etc.

8257. *Q.* You said that your people should be allowed to tender for the export trade. Have you considered how this would affect the manufacturers at home? Will they be handicapped in any way by your being allowed to do so?

A. They would be in the position we have been in up to now. There is no question that it would be to our advantage.

8258. *Q.* You say that the actual Protection that you are getting is 34 per cent.

A. The way I got at 34 per cent. was by taking the cost of a wagon as 100 per cent., the cost of material 66 per cent. other costs 34 per cent. Then the tariff of 11 per cent. only gives actual Protection on the 34 per cent. because whether the material imported comes as raw material for wagons or as parts of wagons with an all-round tariff the items balance each other, therefore the actual Protection we get is only on the 34 per cent.

8259. *Q.* Your difficulty at the present time is that your Works are practically lying idle?

A. At the present moment we have only six months' work.

8260. *Q.* Then, I understand that you want not only Protection but also Government help in the matter?

A. If we get Protection then we can dispense with the other.

8261. *Q.* But you would welcome it all the same?

A. There is no question about that.

8262. *Q.* You want Government to abide by its Communiqué?

A. We expect Government to help us in the spirit in which the Communiqué was originally issued.

8263. *Q.* Was any promise of assistance to this Company ever held out by Government?

A. Nothing more than the Communiqué.

Witness No. 55.

Mr. F. W. SMYTH, Calcutta

Written statement, dated the 21st November 1921.

8264. I have before me the questionnaire issued by the Commission, and I notice that it contains no reference to an import duty on silver, but from a conversation which I had with one of your members, I understand that the advisability of imposing such a duty will be examined.

I wish, therefore, to submit for your consideration the following:—

(1) Presuming that even if a duty is imposed on private imports of silver, imports on Government account for the purpose of coinage into rupees will be free, it does not appear to me that the duty can be made effective, unless the coined rupee is over-valued against silver by more than the duty. Unless the coined rupee is so over-valued, no silver will be imported, and if there is any demand for silver, coined rupees will be melted down.

(2) The rupee is not likely to remain for any length of time over-valued against silver, unless and until Government can again fix the rupee at a definite ratio to the sovereign.

In short, the imposition of a duty on silver at the present time would in any case be futile, as it could bring in no revenue.

Oral evidence, Calcutta, the 6th January 1922.

8265. *President.*—*Q.* To what firm do you belong?

A. I belong to the firm of Kettlewell Bullen & Co., but I am not giving evidence on their behalf. I am giving evidence in my individual capacity.

8266. *Q.* It appears to me that your whole point is that silver is imported by Government free of duty and therefore any duty on private imports should not be permitted?

A. I do not think that is quite my point.

8267. *Q.* Supposing Government levied the same import duty on silver imported for the purpose of coinage as on private imported silver, would you still have any objection to that?

A. Yes, I think I would.

8268. *Q.* Why?

A. Because both silver and gold really take the place with the ordinary uneducated Indian of currency with us. As we keep money in the bank he keeps his silver and gold and I do not think it is a good thing to levy a duty on either of the precious metals. It follows that if you levy a duty on it, it would tend to decrease the value of the world silver and gold as compared with the value in India and therefore when you go to sell it you would lose on it.

8269. *Q.* But a number of the masses keep a few rupees in silver ornaments and if there was an import duty on silver, the price in India would be higher in rupees than without the duty. Therefore would not they be better off?

A. That is very doubtful. It would depend very largely on whether India as a whole were an importer of silver or an exporter thereof.

8270. *Q.* So far India has imported silver?

A. But times change.

8271. *Q.* We need not go into currency and exchange matters. If the Government of India want to adopt a gold currency, then perhaps silver may depreciate, but under present conditions so long as our basic currency is silver prices would rise if an import duty was imposed?

A. That might be the case if India continues to import silver.

8272. *Q.* How will the masses be affected who have put their savings in silver ornaments? It would not hurt them, if anything, it would help them in realizing better prices?

A. That is so.

8273. *Q.* If Government also levy a duty on silver which they import for coinage purposes, then the danger of rupees being melted down would not be so great, would it?

A. No.

8274. *Q.* Will you please explain what you mean by saying that the imposition of a duty on silver at the present time would in any case be futile as it could bring in no revenue?

A. I think that would be the case if Government did not levy any duty on its own importations.

8275. *Q.* If Government also charged themselves the duty then this question would not arise?

A. No.

8276. *Sir Maneckjee Dadabhoy.*—*Q.* I understand you do not favour an import duty because people in this country invest their savings in gold and silver and therefore it is not fair to put a duty on it? Is that so?

A. I do not know whether it is right to say that it is not fair. They would suffer a loss when they wanted to sell it.

8277. *Q.* On the other hand I would put it in a reverse way. Do not you think that if you levy a duty on silver it would appreciate their hodings?

A. Provided India as a whole continues to be a buyer of silver I think it would. I do not think,

however, it is certain that India will continue to buy silver.

8278. *Q.* At the present time the masses invest their money in silver?

A. Yes.

8279. *Q.* In your opinion duty would be levied on the savings of the people?

A. Yes, in one sense.

8280. *Q.* Also silver is required for religious marriage purposes and as such it would affect them in that sense too?

A. Yes, I do not think there is any objection in that sense if it is used for ornaments.

8281. *Mr. Jamnadas Dwarkadas.*—*Q.* Apart from these sentimental grounds which are very sound so far as India is concerned, do not you think there is more solid ground for not imposing the duty? Bombay is the largest bullion market in India and it is very important for trade that this market should be maintained?

A. I do not think I should go as far as that.

8282. *Mr. Mant.*—*Q.* In this written statement your main argument is that a duty will bring no revenue. You say that unless the coined rupee is over-valued no silver would be imported and if there is any demand for silver rupees would be melted down if a duty were imposed. I want to ask you whether there is any harm in it?

A. Harm in melting down rupees? I think there might be no harm. But that is not the objection. The point is that the duty would bring in no revenue.

8283. *Q.* Then it comes to this: that there is only one point, namely that the duty would bring in no revenue. In cross-examination here you have raised another point, namely that it would be a loss to the people?

A. Yes. Supposing that you impose a duty on silver. The price, take it as it is to-day, is Rs. 90 for 100 tolas. You impose a duty of Rs. 10, which makes the price Rs. 100 for 100 toals. As long as the uneducated classes of India do not want to sell their silver it does not really matter very much. But supposing later on they are in difficulties and have to sell their silver in times of necessity. They may not be able to sell it in India. They may have to sell it in the open markets of the world where it is only Rs. 90, and they will lose Rs. 10.

8284. *Q.* If they want to export their silver they will sell it in the Indian market?

A. They may not be able to and at times the price in the Indian market will depend on the price in the world markets.

8285. *Q.* You are assuming that the world price of silver goes down?

A. I am assuming just now that it remains stationary for simplicity's sake.

8286. *Q.* If it remains stationary the price in the Indian market will remain at Rs. 100.

A. Supposing everybody in India wants to sell at the same time they must sell abroad.

8287. *Q.* Is not that a very improbable proposition that everybody in India will sell at the same time?

A. Supposing there are a larger number of people who want to sell than there are buyers, then some will have to go out to be sold. My point is this. When import into India stops some silver may have to go out of India. If the cultivator wants to sell them he has got to sell abroad and lose what he has paid by way of duty.

8288. *Q.* You are assuming the world price to be Rs. 90 and the Indian price to be Rs. 100. He will sell in the Indian market. The bullion dealer will export the silver.

A. If there is more silver in the Indian market than can be sold there then it must be sold abroad.

8289. *Q.* He only gets Rs. 90?

A. So he loses Rs. 10.

8290. *Q.* It comes to the same thing. I say that unless the Indian price drops he won't lose. What you actually mean is that the Indian price will drop.

A. Yes.

8291. *Mr. Rhodes.*—*Q.* Looking at silver for a moment entirely as a commodity used in marriage ceremonies by the people generally, I think you would suggest that it would be a fair subject for taxation as a luxury if it had no other function to perform.

A. Certainly.

8292. *Q.* As regards other functions you think it is necessary that silver and gold should pass in and out of the country freely for the sake of exchange generally.

A. Yes.

8293. *Q.* If one wants to tax it as a luxury and at the same time allow it to pass out freely, would your objection, which you have been discussing with Mr. Mant, be met by a drawback of the full amount of the duty on export?

A. I think it would. On the other hand I understand that that particular mode of dealing with the matter has been proved impracticable.

8294. *Q.* You might give what you might call a bounty on export equal to the duty.

A. That would seem possible.

8295. *Q.* That might get over your fear that the exporter of silver might possibly be injured.

A. Yes.

8296. *Q.* As regards an import duty and the melting of the rupee, the President questioned you as to the effect of Government paying a duty itself on its imports of silver. Surely it will have no effect whatever on the situation. It would only be a book transaction in their books.

A. You mean effect on the revenues?

8297. *Q.* No. Effect on the melting of the rupee. Can you tell me what the present value of the rupee is in annas roughly?

A. 13 annas.

8298. *Q.* Let us suppose for the sake of argument that a 4 annas per tola duty were levied on silver, that would lead to melting, would it not? It would cost the bullion dealer Rs. 1-1-0 to import while it would only cost him 16 annas to melt the rupee.

A. Yes.

8299. *Q.* How long do you think that the melting effect would continue? To what extent would rupees go on being melted?

A. You mean if the price remains stationary?

8300. *Q.* If the world price remains stationary?

A. I think it will go on until all the rupees are melted.

8301. *Q.* Meantime I presume Government would be importing silver at 13 annas and what will be the effect of its paying a duty of 4 annas to itself?

A. I should like to think that out.

8302. *Q.* Have you formed any idea as to what would be the effect of any cessation of India being in the world's markets such as the melting of the rupee would imply? Would it bring silver prices down or would it be more likely to keep the price up by leading to the closing of mines?

A. I think it is impossible to answer that question. It might have either or both effects.

8303. *Q.* You say that the rupee is not likely to remain for any length of time over-valued against silver, unless and until Government can fix the rupee at a definite ratio to the sovereign. You pointed out that the duty can only be put on so long as it is over-valued.

A. Yes.

8304. *Q.* I do not quite understand what you mean by saying "until Government can fix the rupee." I should like to hear your views without going too far into the question.

A. It is very simple really. When the rupee was fixed it was fixed at a very largely over-valued price as against silver. Unless you fix it I do not see that it will remain for any length of time over-valued. When I wrote my evidence the rupee was only very slightly over-valued as against silver. As a matter of fact silver has gone down, and to-day it is over-valued against silver to a fair extent.

8305. *Q.* Then an import duty on silver with a full drawback or bounty on export is the only way you think feasible for revenue purposes, and this is conditional on having a considerable margin of over-valuing of the rupee?

A. I think so.

8306. *Mr. Seshagiri Ayyar.*—*Q.* With reference to your answer to Mr. Mant, whenever the small hoarder in India sells his silver or gold he has to go to the bullion dealer, and the purchaser would always look at the outside market in purchasing it, and the result will be that the small hoarder will have to sell at a disadvantage, because he will have to sell at the price which is obtainable elsewhere.

A. He must sell at the world's price.

8307. *Q.* If there is the duty upon silver it would not in the least be of advantage to the small hoarder in selling.

A. I do not think it would be of advantage.

8308. *Q.* I am speaking of the small hoarder. It will be a disadvantage to him if there is an import duty, because the price of silver would have gone up by the import duty. If he wants to hoard up against bad seasons and so on, in consequence of the import duty he will have to pay a higher price for his silver. Is it not?

A. Yes.

8309. *Q.* So, both from the point of view of selling and buying, so far as the small hoarder is concerned, it would be a disadvantage to impose a duty?

A. I think so.

8310. *Mr. Coyajee.*—*Q.* Do you think that a duty would restrict the free export and import of precious metals out of and into India?

A. Certainly.

8311. *Q.* Looking to the last few years all restrictions on the movement of bullion have had an enormous disavantage?

A. I think so.

8312. *Sir Montagu Webb.*—*Q.* I cannot quite gather from your written evidence whether you are in favour of a duty on silver or opposed to it.

A. I am opposed to it.

8313. *Q.* The reason you give are that the rupee is not likely to remain over-valued against silver. But it is very largely over-valued now, is it not?

A. Yes. It is over-valued now. The price for silver is about Rs. 90 per hundred tolas.

8314. *Q.* You say that at the present time an import duty would be futile. But the argument which you have employed in your paper can have no application to-day?

A. It does not apply to-day.

8315. *Q.* But nevertheless, you are opposed to an import duty on silver?

A. Yes.

8316. *Q.* It has been represented in other quarters to us that silver is a luxury and an article of merchandise and that it is legitimate to tax it like any other goods, so that I do not quite understand the application of your argument which has no force at any rate to-day.

A. No. It has no force to-day.

8317. *Q. Sir Edgar Holberton.*—*Q.* Why do you think that the rupee is not likely to remain over-valued for any length of time? What world factors induce you to hold that view?

A. I think that the rupee is more or less following the price of silver. Although it is over-valued to-day I should rather expect that after some time it will be less over-valued than it is to-day. In fact it seems to me that before very long we may be exporting rupees. Actually rupees were exported last year.

8318. *Q.* What was the value of silver at that time when this export happened?

A. I do not know.

8319. *Q.* Was it pretty high?

A. I do not know. But recently it went up to 40*d.* per oz.

Witness No. 56.

Babu SHIVA SHANKER JHA, Member, Bihar and Orissa Legislative Council, and President, Bihar Provincial Kisan Conference.

Written statement, dated Madhubani, the 18th December, 1921.

8320. *Q.* 1. I am in favour of a policy of protection of trade. The infant trades of India cannot prosper and there is every fear of their being killed if no protective tariff is introduced, for they cannot compete successfully with foreign trades. The reason is that while trades in foreign countries were established centuries ago and are run on highly organised principles and with the help of exceptionally skilled labour, in India they have just begun and skilled labour is not available. Another difficulty is as regards machinery. Indian industries depend more or less on costly hand labour whereas foreign industries upon which trades in those countries are based have the advantage of highly specialised machines.

8321. *Q.* 2. Yes. If fresh taxation were necessary I would prefer an increase in customs to an increase in direct taxation.

8322. *Q.* 5. The existing tariff policy has had a prejudicial effect on Indian industries in the past and if it is not changed and modified it will have the same effect in future.

8323. *Q.* 6. No.

8324. *Q.* 8. No.

8325. *Q.* 9. Yes. Industry can prosper only when a ready market can be found for the product thereof. Now it so happens that articles imported from foreign countries are finer and at the same time cheaper than home-made ones owing to the reasons explained in answer to Question No. 1 and unless steps are taken to give some advantages to Indian industries, so that they may successfully compete with foreign articles, at least in matter of price, they will have no market. This can only be done if the articles imported are taxed and the raw materials exported are also taxed in such a way that it may serve as a check on exports and raw materials may be had in abundance in India at a cheaper rate. Thus people engaged in Indian industries will have a double advantage and the industries are bound to prosper.

8326. *Q.* 10. I am of opinion that India will in time be independent of other countries in regard to all her requirements of manufactured goods except the various kinds of mechanical machinery.

8327. *Q.* 11. On all imported manufactures.

8328. *Q.* 13. Yes. I would select them on the principles of urgency of demand and economy.

8329. *Q.* 14. I should like Protection to all industries. Whether the assistance should continue or not would depend on the nature and extent of the development of these industries.

8330. *Q.* 15. Yes Government should be able to ascertain the exact facts through its consuls, trade representatives and leading merchants and chambers of commerce.

Government may refuse permission for the landing of ships or unloading of goods in India and may direct the Railway Companies to refuse delivery of goods for carriage. Government may also issue occasional ordinances imposing heavy and prohibitive import duties on such articles.

8331. *Q.* 16. Hand industries are generally very costly and the outturn is small. But at present it is the only form of industry prevalent in India and we have to make the best use of it. Cotton hand-loom industries are bound to prosper and are, as a matter of fact, prospering. The present political situation in the country has given them a fresh impetus. These industries should be maintained until a better substitute may be found.

8332. *Q.* 17. Yes, Government should have the power of controlling the prices and this can be done by appointing Trade Boards at important trade centres.

8333. *Q.* 18. Yes. I would not allow such industrial firms to establish themselves in India by refusing to grant the requisite licenses, or to give them any facilities and the like. If Government really intend to discourage them, means would not be wanting.

8334. *Q.* 19. Conflict of interests might arise but it should not be difficult to adjust them.

8335. *Q.* 20. A part of it is passed on to the consumer in a rise of price.

8336. *Q.* 21. The rise would not be permanent.

8337. *Q.* 22. Yes, provided the rise of prices is not due to causes like the one suggested in answer to Question No. 17, in which case Government should intervene.

8338. *Q.* 23. No.

8339. *Q.* 24. Yes, it would surely be covered in part —may be wholly.

8340. *Q.* 25. It might prejudicially affect foreign trade and general commercial position and prospects of the country for a time during the period of transition but normal conditions are sure to be restored soon after.

8341. *Q.* 26. It might be temporarily advantageous. But I am not at all in favour of any bargaining for the ultimate effect of all bargaining is to kill Indian trades.

8342. *Q.* 27. No.

8343. *Q.* 29. Yes, for instance, Trade Boards, Chambers of Commerce and the like.

8344. *Q.* 30. One of the functions of export duties is, no doubt, the raising of revenue but they should mainly be utilised to prevent the indiscriminate export of all raw materials to the detriment of Indian people and manufacturers and industries and also to prevent the cheap acquisitions of these articles, *e.g.*, bamboo and other pulps for paper, etc., by foreign countries, having highly organised and specialised factories.

8345. *Q.* 31. Effect of export duties on export trade is undoubtedly injurious. In certain cases they may not be so, especially in those in which India has almost a monopoly, *e.g.*, jute, tea, lac, mica, tobacco, indigo, etc.

8346. *Q.* 32. Yes, rice, wheat, cotton, etc. The producers of raw materials will get a smaller price but considering the decrease in price of other necessaries of life which is bound to result from this, they would not mind it nor will be discouraged and give up producing raw materials.

8347. *Q.* 33. Yes. India being purely an agricultural country where about 90 per cent. of the people live directly or indirectly on agriculture, it would not affect the quantity of foodstuffs produced and there is absolutely no fear of the agriculturists ceasing to produce them. No doubt the immediate effect will be to diminish the price of foodstuffs, grown by the agriculturists and it is likely to cause some flutter among them but when things have settled down to a normal state they would not mind the decrease in price, for it would be immaterial and more apparent than real and would mean no change. Money is only a standard of value and it needs no argument to prove that the value of money is much depreciated. Let us take a concrete example. At present a maund of rice fetches Rs. 6. After an imposition of export duty on the same, which will have a cheapening effect, let us assume the price will fall to Rs. 3 per maund taking the worst view of the matter. It is a well established principle that the prices of all other commodities of life increase with the increase of the prices of foodstuffs and decrease with the decrease. Suppose an agriculturist has to spend Rs. 6 for the purchase of a pair of Dhoti now but with the decrease of the prices of foodstuffs the same pair of Dhoti will cost him Rs. 3. Thus the agriculturist does not suffer any loss and the real value of his one maund of rice remains the same.

It will further stop a good deal of heart-burning and discontent prevalent among them at present owing to the landlords' bringing suits for enhancement of rent. This source of discontent is also bound to disappear with the decrease in the price of foodstuffs. Thus although at the first sight it might seem that the adoption of the protective policy will affect the agricultural interests in the country prejudicially, on a closer examination it would appear that it would not do so in reality. It would on the whole be conducive to their ultimate good and the agriculturists of India including those of the province of Bihar and Orissa would be benefited by it.

I have studied very minutely the conditions of life of agriculturists of this province and I can safely assert that they were much happier when the foodstuffs produced were cheaper than they are now when the prices have doubled and even trebled in certain cases. This is proof positive in support of my opinion.

8348. *Q.* 34. I am of opinion that an export duty should be levied on all raw materials except perhaps those of the kind indicated in answer to Question No. 31.

8349. *Q.* 35. I am not in favour of the idea of Imperial Preference so far as India is concerned.

8350. *Q.* 43. I am not interested in any industry technically so called unless agriculture be called an industry.

8351. *Q.* 61. As an agriculturist I produce foodstuffs for export, *e.g.*, rice, wheat, cotton, etc.

8352. *Q.* 63. I would recommend an increase of the existing export duties and imposition of the same on those articles which are at present free of them.

Oral evidence, Calcutta, the 9th January, 1922.

8353. *President.*—*Q.* Mr. Jha, you are a Member of the Bihar and Orissa Legislative Council?

A. Yes.

8354. *Q.* You are the President of the Bihar Provincial Kisan Conference?

A. Yes.

8355. *Q.* You are largely interested in agriculture?

A. Yes.

8356. *Q.* Will you please tell us what your interest in agriculture is?

A. I look after the interests of the agriculturists of the province in several ways, both as regards the law relating to the connection between landlords and tenants, and the kinds of crops that they grow, the sale that they command, and such things.

8357. *Q.* Are you directly interested in agriculture by having any land of your own?

A. Yes. I have my own lands. I grow crops myself.

8358. *Q.* You are strongly in favour of a protective tariff for the development of Indian industries?

A. Yes.

8359. *Q.* You think that the effect of a protective tariff will not be prejudicial to agricultural interests?

A. No.

8360. *Q.* In answer to Question No. 15, which I think relates to dumping, you say "Government may refuse permission for the landing of ships or unloading of goods in India and may direct the Railway Companies to refuse delivery of goods for carriage. Government may also issue occasional ordinances imposing heavy and prohibitive duties on such articles." Do you think that can be practically carried out?

A. I believe so. Government can very well do that.

8361. *Q.* You think it can be practically done?

A. Yes.

8362. *Q.* Your answer to Question No. 18. Why do you want to prevent foreign industrial firms establishing themselves in India for the development of Indian industries?

A. That will not mean the development of Indian industries in the particular sense of the term. The development of Indian industries means, as was pointed out by a great man, that it should be Indian firstly, Indian secondly and Indian thirdly.

8363. *Q.* Who is that great man?

A. Sir Frederick Nicholson. He says "I beg to record my strong opinion that in the matter of Indian industries we are bound to consider Indian interests firstly, secondly and thirdly. I mean by firstly that the local raw products should be utilised, by secondly that industries should be introduced, and by thirdly that the profits of such industry should remain in the country."

8364. *Q.* Don't you think that the development of Indian industries would be retarded if you strictly adhere to the policy you advocate?

A. No. The result will be just the other way. My reasons are that by allowing foreign industrial firms to establish themselves in India we shall be transferring the industries which they are carrying on in foreign countries to India itself. They will be entirely in the hands of foreigners, the profits will entirely go to them, and the result will be the same, namely, purely Indian industries will suffer.

8365. *Q.* Except that Indian labour will be employed by them?

A. Quite so.

8366. *Q.* And there will be a possibility of training Indians in the technique of foreign industries?

A. Quite so.

8367. *Q*. The shareholders might be Indians?

A. I appreciate that, but then the advantages would be more than counterbalanced by the disadvantages.

8368. *Q*. The disadvantages being?

A. That the whole profits will go to them. They will have the whole thing to themselves. They might not employ Indian labour in the special methods which they use in doing certain things which are confidential. Indians might not be employed in those things, and they will remain where they are now.

8369. *Q*. Supposing it was made a condition precedent to allowing the establishment of such industries by foreign firms that they shall have a certain proportion of Indian capital, and secondly that they shall train a certain number of Indians in the technique of those industries, would you still prohibit their coming?

A. Unless I know that such a thing can be done, I cannot give an opinion.

8370. *Q*. As a general principle you are against the establishment of foreign firms?

A. Certainly I am.

8371. *Q*. Then as regards Question No. 26 you say that our power to bargain may be of temporary advantage, but that you are not at all in favour of any bargaining because the ultimate effect of all bargaining is to kill Indian trades. What is your explanation for it?

A. The simple reason is that it will continue our dependence on others.

8372. *Q*. I think there is some misunderstanding as regards the use of the word "bargain." Supposing you are shipping raw materials and manufactured goods, and they differentiate between admitting your raw materials and manufactured goods by admitting the raw materials free and imposing a very heavy duty on your manufactured goods produced out of the same raw material. Thereby they are handicapping your industries in India. Would you not do anything to bargain, so that they might utilise your manufactured goods. You can put an export duty on the raw material.

A. I am not in favour of it. The thing is we do not want our raw materials to go outside,—at least those raw materials which can be utilised in this country.

8373. *Q*. I suppose you strongly advocate the imposition of export duties. Have you considered the effect of the imposition of export duties on the producers? I will put it to you in this way. It has been said that the total production of linseed in India is 900,000 tons; you have got oil presses which crush only a very small proportion of these 900,000 tons and the rest is exported. Suppose you wish to establish the oil-crushing industry in India by imposing a very heavy export duty on linseed. India has not got a monopoly of the seed, and therefore the prices here will be regulated by world prices. Therefore the export duty would have to be borne by the producers. Therefore the producers of the 900,000 tons of linseed will pay that tax while the quantity that will actually be manufactured in India will be considerably small. Will not that be adversely affecting the agricultural interests?

A. I do not know whether my information is correct but I am told that only a part of the oil-seeds we export is crushed into oil, the remainder being used for glazing cloth and turned into manure for the soil. It is only the oil that is re-exported to us. India being an agricultural country, a fall in prices would not make any difference to the cultivator. There may be some fall in prices in the beginning, but in the end will gain owing to an all-round fall in the prices of the necessaries of life.

8374. *Q*. But what effect would it have on the agriculturists? Would they not give up the growing of linseed?

A. The agriculturists will never give up growing it.

8375. *Q*. If they do not realise their price?

A. Money has no value by itself. At present we are getting Rs. 4 where we used to get Rs. 2. But this four rupees is not enough to buy the things we used to buy for Rs. 2.

8376. *Q*. Do you say that the cost of living in India, including the cost of all necessaries of life, will go down to such an extent that the reduced prices realised will be adequate for living purposes?

A. Certainly. Our wants are very few. That is the opinion of Englishmen also. We have come to live luxurious lives only recently. We agriculturists live a simple life, and we do not grudge a small sacrifice for the development of industries.

8377. *Q*. But you must produce sufficient to enable you to live in decent comfort?

A. Yes, decent comfort according to our own standard.

8378. *Q*. And you agriculturists must get an income to that extent?

A. I think they will.

8379. *Q*. Do you think by this means you will be able to reduce the cost of clothing?

A. Yes. If you impose a heavy export duty on our raw cotton, our cotton will remain in the country and then the weaving industry is sure to develop. Then we shall take to weaving our own clothes. For instance, I am an agriculturist; I grow cotton in my own fields; I have got my charkas; I spin the thread and get it woven by the village *jollahas*. (Shewing a ganj.) This is handspun: see how decent it is. Fifteen years back, my father and mother used to wear dhoties of this sort, because they considered it to be purer. Now the times have changed and we have taken to wearing foreign cloths. Formerly the handspun things were considered to be more comfortable and more sacred. This does not cost much: this costs very little.

8380. *Q*. Then your idea is that India should be made self-contained and independent of foreign exports and imports as far as possible?

A. Quite so, Sir.

8381. *Q*. And it would be to her economic advantage to attain that position?

A. Yes.

8382. *Sir Edgar Holberton*.—*Q*. To carry on the question about linseed which the President raised; would you put a very heavy export duty on it?

A. Yes, so as to discourage export to a very great extent.

8383. *Q*. Supposing there were not enough crushing mills to deal with it, and supposing your export duty had the effect of making it unduly high for the foreign producer, how would you propose to sell it?

A. As regards the machinery, as I have said, we shall have to depend on the foreign countries, because they are not manufactured in India. This linseed and other oil-seeds are also crushed in India in the native mills.

8384. *President*.—*Q*. To a very small extent.

A. They have come to be small, and they may soon be extinct.

8385. *Sir Edgar Holberton*.—*Q*. Do you want to go back to those days when each village and each community was self-supporting?

A. Yes.

8386. *Q*. And at the same time you are in favour of encouraging industries. Who will get the profit of it?

A. The Indians.

8387. *Q*. What class of Indians?

A. The agriculturists. Take any village and you will find that fifteen years ago the farmers lived a better life. If industries develop in the country, some of the agriculturists will also take part in the industries. Take a Hindu joint family. There is a father who has 20 bighas of land. He has four sons, and on partition each son gets 5 bighas, and if each son gets three or four sons, the land will be split up into many small prices. These small owners of land cannot now take to any industries they have to lead a sort of vagabond life. If they take to industries, leaving their lands in the hands of their brothers, the lands will be better cultivated and these who take to industries can also earn more.

8388, *Q*. Don't you think it will reduce the number of people living on agriculture?

A. I have not that apprehension.

8389. *Q*. There will be enough agriculturists even if you send some to industries?

A. Yes.

8390. *Q*. This joint family system, which you spoke of, cannot be put right by a tariff?

A. What I mean is: at present the agriculturists cannot keep body and soul together with the produce of their agricultural land. If there are industries in the country, they will naturally take to industries and the agriculturists will be gainers in that way.

8391. *Q.* At present, when the lands get overcrowded, surely the tendency of the present day is for the agricultural labourers to go to factories?

A. Yes, but not to such a large extent as they ought to.

8392. *Q.* Apart from the fact that they will employ some of the surplus population, what advantage is the agriculturist going to get out of an industrialised India?

A. We will get the articles which are necessaries of life cheaper. It may not be just in the beginning, but in the end.

8393. *Q.* What article?

A. For instance, cloth. I am sure we will get that cheaper.

8394. *Q.* But at present all the cloths which your agricultural labourer wears is locally manufactured?

A. No, Sir. Practically all that we wear is manufactured outside.

8395. *Q.* Clothes?

A. They all come from Manchester.

8396. *Q.* But it is said that the imports from Manchester are all superior articles?

A. But they are worn by the agriculturists, as they cannot get them in India.

8397. *Q.* Do you mean to tell us that the poorer agriculturists are dressed in foreign cloths. Where do they get it from?

A. They purchase in the nearest market. If they have their village close to Darbhanga, for instance, they purchase it at Darbhanga.

8398. *Q.* Do they not purchase it, because it is cheaper? Evidence has been given before this Commission that roughly speaking, one-third of the cotton produced in India is consumed by the hand looms, one-third by the power mills, and one-third is exported. You told me that the agriculturist practically confines his purchases to the imported goods.

A. That is what I am finding.

8399. *Q.* Who, then, absorbs, the output of the handlooms?

A. These handlooms produce a very small quantity.

8400. *Q.* No, you are not right: they produce practically one-third.

A. My experience is confined to my division.

8401. *Q.* And your experience is that they consume foreign goods?

A. Yes.

8402. *Sir Montagu Webb.*—*Q.* I understand you are an agriculturist?

A. Yes.

8403. *Q.* Do you own lands and cultivate lands yourself?

A. I do.

8404. *Q.* In your reply to Question No. 33, you say that the agriculturists were much better off when prices were lower. Will you explain exactly why the agriculturist is better off when he gets less for his products?

A. If he gets more now he has to spend more than that: if he got less, he had to spend even less than that.

8405. *Q.* I understand what you mean is that because prices have gone up all-round, he does not get any benefit out of the increased price derived from his products?

A. Yes. And, then, Sir, the increased prices he gets are taken away by the landlord by way of enhancement of rent. You must not think that all the increased prices he gets he keeps to himself. He has a co-sharer in it.

8406. *Q.* So that, if you can get prices down, he will be much better off?

A. Yes.

8407. *Q.* The lower the prices go, the better would it be for him?

A. Yes.

8408. *Mr. Coyajee.*—*Q.* You are a practical agriculturist?

A. Yes.

8409. *Q.* Dr. Mann of Bombay has studied the condition of certain villages in Bombay where there is a big cotton industry, and he finds that although the condition of the agriculturists in the villages is particularly bad, yet somehow they do not migrate to take advantage of the neighbouring industry. Can you give an explanation of such phenomenon?

A. The reasons, Sir, are many. One of them is that they do not get sympathetic and good treatment at the hands of the factory employers.

8410. *Q.* Now, as regards your answer to Question No. 18. You are against the establishment of foreign industrial firms in India? But don't you think that when we have Protection there will be a great industrial development and there will be room not only for all the capital that India possesses, but for the use of foreign capital as well?

A. I quite see. There will be some advantage, Sir, but that advantage will be counterbalanced by the disadvantage.

8411. *Q.* May I instance the case of the tea and coal industries. These were started by foreign capital, but are now slowly passing on to Indian hands? Don't you think that that is an encouraging illustration?

A. If you put that question to me, an agriculturist, I will say that is a luxury to me: I do not want it and if all the tea goes out of the country, I do not mind.

8412. *Q.* My point is that these two industries were started by foreign capital, but they have slowly passed on to a considerable extent to Indian hands. Therefore, your opposition to the establishment of industries by foreigners does not receive support from this illustration.

A. That is a very insignificant trade, considering other manufactures. This sort of generalisation from this particular industry, I am not in favour of.

8413. *Q.* Now, coming to your answer to Question No. 25, you say that Protection might prejudicially affect foreign trade. How will it do so?

A. That, I believe, is patent enough. Protection in England prejudicially affected our trade with England, and Protection in India will similarly affect England's trade with us.

8414. *Q.* Our imports will be fewer?

A. Yes.

8415. *Q.* And our exports will be fewer?

A. Yes.

8416. *Q.* Because, those who import less from us will not be able to export more?

A. That is not the only reason.

8417. Have you any other reason?

A. The raw materials that will be left in this country will have to be utilised some way or other, and that will give the people of India an incentive to open up industries to utilise those raw materials, and thus the demand in the country will be met by the supply of the country.

8418. *Q.* You say you are not in favour of bargaining, for the effect of all bargaining will be to kill Indian trade. Now, are you aware that all protectionist countries are using the tariff for bargaining purposes, and yet their industries or trades have not been killed?

A. But at present we have practically no industry and they have got their highly organised factories and skilled labour: we have practically none, and we have to begin with a clean slate.

8419. *Q.* As regards Question No. 33, I will put to you a suggestion made by an expert before this Commission. He argued that if we put a heavy tax on the exports of oil-seeds, the balance of trade is likely to go against us. What is your view?

A. I have said I am not a trade expert. I am a simple agriculturist. One thing I may say, Sir. Oil used to be sold in India much cheaper before. It is now selling dearer than ghee sometimes. The reason for this is, we export everything and we are left with practically nothing. There is one thing more. When a man cannot take oil or ghee with his food, I am told, it has a very bad effect upon his physique and thus the agriculturist is interested in having them cheap.

8420. *Q.* You say that high prices of agricultural produce have not benefited the agriculturist because of the generally high prices. You believe that if export duties are imposed, it would bring down prices. Are you aware that protectionist countries are all countries with high prices? If you look to the tariff history of the world, you will find that generally protectionist countries are countries with high prices. Have you considered that aspect of the question?

A. No, I have not.

8421. *Mr. Rhodes.*—*Q.* I understood you to say that the agriculturist largely uses imported cloth?

A. Yes.

8422. *Q.* Can you tell me why?

A. Because that is the only cloth available, and they have been accustomed to using it for a long time. It will be very difficult for them to give it up. The second reason is that imported cloth sells cheaper. Most of our raw materials go to foreign countries, and in the place of these raw materials. we get cotton piece-goods turned out by factories, which are certainly run cheaper.

8423. *Q.* Was not there a large quantity of standard cloth from the Bombay mills sold and used in Bihar?

A. Yes, sold only through the agency of Government, but at times Government had very great difficulty in disposing of that cloth. I was myself a Member of an Advisory Committee at my place which used to report for what articles certificates should be granted by the Director of Civil Supplies, Mr. Milne. I know it was with the greatest difficulty that the cloth could be sold.

8424. *Q.* Government also sold English cloths?

A. Yes.

8425. *Q.* Those sold very freely?

A. I think so.

8426. *Q.* Were they cheaper?

A. Not cheaper exactly. Indian made cloth looked a bit coarser, and the whole idea of the people has changed. They look to fineness more than durability.

8427. *Q.* People now demand finer quality of cloth?

A. Yes.

8428. *Q.* You are against developing the import and export trade? You want the country to be self-contained?

A. Yes.

8429. *Q.* Will you tell me what is to be done with your jute industry in that case?

A. We shall have jute factories in this country.

8430. *Q.* We have got them now. Having made the jute bags, what are you going to do with them?

A. We shall have industrial firms in India. As they are used in the foreign countries, they will also be used in India itself.

8431. *Q.* At present Bengal practically supplies all the bags for all the wheat, potatoes, etc., in the world. Do you think we would be able to use all that enormous quantity of stuff in India?

A. If foreign countries require them badly, they will purchase them at any price.

8432. *Q.* You would favour an export trade?

A. Yes, so far as these bags are concerned.

8433. *Mr. Birla.*—*Q.* About export and import, I would like to put one or two questions more. You know that America and some other countries are self-contained?

A. Yes.

8434. *Q.* But still they have large sea borne trade?

A. Yes.

8435. *Q.* What is your fear about the export and import trade of India, if she should be self-contained?

A. They had sea borne trade only after developing their industries. Let us develop our industries and then see whether we can have foreign trade or not.

8436. *Q.* Don't you think when we are self-contained our export and import trade will rather increase instead of diminishing?

A. It may be; I think the day will be very far off.

8437. *Sir Maneckjee Dadabhoy.*—*Q.* I understand from your note that you are a protectionist?

A. Yes.

8438. *Q.* And that you want Indian industries to expand and grow?

A. Yes.

8439. *Q.* You are very anxious to see India industrially great?

A. Yes.

8440. *Q.* Yet in answer to Sir Edgar Holberton's question you said that you would like to go back to olden days when every village was self-contained.

A. Yes.

8441. *Q.* How is that position of yours compatible with your desire to see Indian industrialised?

A. I wish that every village should have an industrial factory and an industrial firm in itself.

8442. *Q.* Are you referring particularly to any industries?

A. Not only that.

8443. *Q.* You do not expect every village to have great factories?

A. Why not, Sir.

8444. *Q.* It is a consummation devoutly to be wished for, but is it practicable?

A. I do not suppose that it would not be practicable.

8445. *Q.* Then there is another point which you raised in answer to Sir Edgar Holberton's question; you said that the agriculturists find that though the prices have increased to double and treble the purchasing power of the rupee has not been great and you contend that the agriculturist has not been benefited.

A. No.

8446. *Q.* Am I to gather that despite the considerable increase in price of foodstuffs, on the whole the agriculturist has not been benefited?

A. No, Sir. The best test is as to whether he is in a happier and easier condition than before, and he is not.

8447. *Q.* Do you mean to contend that in spite of the increased cost, (and also the increased cost of living), the margin is not wider now between the original savings and the present savings? Is it more or less? If the price was formerly one rupee, and to-day the price is treble, even with the increased cost in wages, do you mean to say that there is no bigger margin?

A. No. It may be that instead of Rs. 2, he has Rs. 4, but it is nothing.

8448. *Q.* Is it the same or is it lower?

A. Almost the same.

8449. *Q.* Another proposition which you raised is that the agriculturists are using imported cloth, which you say is cheaper than the Indian made cloth.

A. Not only that, my argument is also this. They are now accustomed to wearing fine cloth. The fineness and also the cheapness appeal to them.

8450. *Q.* You do not mean to say that agriculturists can afford to go in for finer cloth?

A. So long as they can, they will prefer finer cloth.

8451. *Q.* What is the ordinary dress of a Hindu? A dhoty and a shirt?

A. Yes.

8452. *Q.* Is not an Indian made dhoty cheaper than a foreign dhoty?

A. It was not cheaper until a year or two ago.

8453. *Q.* An Indian mill made dhoty is not cheaper than a foreign dhoty?

A. It is as dear as a foreign dhoty.

8454. *Q.* Where do you get that information from?

A. I have myself been purchasing, I have personal knowledge.

8455. *Q.* Am I to gather from your evidence that the wants of the agriculturists are few, and that they are satisfied with their condition? On the other hand I understand that the agriculturist is complaining of his limited income?

A. Yes, the limited income in view of the expenses he has to incur.

8456. *Q.* He is not in your opinion better off?

A. How is he better off?

8457. *Q.* Your point then I understand is that the saving he makes is inadequate considering the purchasing power of the savings?

A. Yes.

8458. *Q.* You object to foreigners coming to this country? Do you think that in the present state of affairs here there is that spirit of enterprise amongst the people of this country to go in extensively for industries?

A. Necessity is the mother of invention, Sir.

Witness No. 57.

The CALCUTTA HIDES AND SKINS SHIPPERS' ASSOCIATION, Calcutta.

Written statement, dated the 14th December 1921. (No. 286-H. S.)

8459. *Q* I am directed to acknowledge the receipt of your letter No. 148, dated 14th October 1921, with which you submitted a list of the questions prepared for witnesses proposing to give written evidence before the Fiscal Commission.

2. In reply to your invitation for an expression of opinion upon any or all of these interrogatories, I am to say that the Association wishes to submit the following considerations with reference to Questions Nos. 61, 62 and 63. These questions are:—

61.—What articles do you export and to what countries ?

62.—Are you interested in any of the articles on which export duties are levied ? If so, what do you consider has been the effect of these duties ? and

63.—Do you recommend the increase, reduction or abolition of any of the existing export duties ?

3. The Calcutta Hides and Skins Shippers' Association is an Association of shippers of hides and skins from Calcutta to all parts of the world. Its members—a list of whom is attached—are deeply interested in the export duty that is levied by the Government of India upon hides and skins ; and they propose now to show what has been, in their opinion, the effect upon their trade of this duty.

4. The duty was imposed in 1919 at the rate of 15 per cent., on a tariff valuation basis, with a rebate of 10 per cent. in respect of hides and skins tanned within the British Empire. In imposing it the Government had in view a two-fold purpose: they wished to protect the Indian tanneries that had been established during the war ; and they also wanted to ensure that such Indian hides and skins as those tanneries could not deal with should be tanned as far as possible within the British Empire. The tax itself was to bring about the first of these two objects ; and the rebate of 10 per cent. on hides and skins tanned within the Empire was to achieve the second.

5. The Association maintains that neither of these two objects has been achieved by the duty. The Indian tanning industry is at the present time in a thoroughly unsatisfactory state. The Indian tanners cannot tan the hides that they have in stock. Much less can they take up the enormous surplusage that must be stored in the country. And it has to be remembered that not only do raw hides pay an export duty of 15 per cent., but that imported leather pays an import duty of 11 per cent. Yet even with this measure of protection the Indian tanning industry seems to be making no progress. Admittedly the tanning industry all over the world is depressed, as are indeed most other industries. There is, however, no reason to believe that, when in due course the world depression passes away, the Indian tanners will be benefited by the duty. And in this connection it is interesting to note that those firms of hides and skins shippers in Calcutta who established tanneries, and supported the imposition of the duty now favour its repeal. For they are satisfied that it does not help them as tanners, while it restricts their business as shippers of raw hides and skins.

6. The duty was imposed at a time—September 1919—of extraordinary and unexampled demand for hides and skins. Very shortly afterwards the demand fell off. It is not suggested by the Association that the duty was the cause of the falling-off. But a slump in the trade made itself apparent, and this has continued ever since. At present the United States are not buying Indian hides, and the United Kingdom is buying to only a very small extent. And there seems to be no likelihood of a revival of the trade for some considerable time. Meanwhile the duty is a heavy impost, and it is certainly calculated to retard a revival. Indeed this last point was admitted by Mr. C. A. Innes when speaking, in behalf of the Government of India, in the debate in the Legislative Assembly on the 18th March 1921.

7. The preference of 10 per cent. was intended, as I have said, to help the trade of the British Empire. But it has really proved to be a hindrance rather than a help, for it hampers the distributing trade in the United Kingdom. Merchants in Great Britain who deal in imported hides and skins can buy, re-sell and re-ship other than the Indian qualities freely. But Indian hides and skins are under a customs liability, which of necessity inclines the merchants to deal in the free article. The mere fact that the period, allowed—without payment of the 10 per cent. —for the sale of hides to British Empire tanners, has had to be extended from six months to three years, shows how impracticable the whole scheme is. It may be claimed that, of the total export of hides and skins, a larger percentage has been going of late to the United Kingdom and to British possessions than went before the war. This is no doubt the case. For example in 1912-13 the British Empire took 41,010 cwts. of cow-hides out of a total export of 831,200 cwts., and in 1920-21 the British Empire took* 61,660 cwts. of a total export of 281,260 cwts. Similarly with buffalo-hides the total export in 1912-13 was 345,037 cwts. and in 1920-21 it was 66,140 cwts. The British Empire took 51,002 cwts. in the first named year and 19,960 cwts. in 1920-21. But the exports for the seven months, 1st April to 31st October 1921, show that even this movement has been checked. According to the official Trade and Navigation Returns not more than 15,000 cwts. of Indian cow-hides went to the United Kingdom during these months, while 118,860 cwts. went to Germany, 44,220 cwts. went to Italy and 26,960 cwts. went to Spain.

8. In the face of these figures it is surely ridiculous to suggest that the export duty can ever divert to the British Empire the enormous trade in buffalo and cow hides that was formerly carried on with the Continent and the United States. And this is precisely the reason why the Association opposes the duty so strenuously. It is not suggested that the shrinkage in the trade with countries other than those of the British Empire is due exclusively to the duty. But the point is that the duty operates, and must operate, against the resumption of that trade which it cannot divert to the British Empire tanner and the Indian tanner. It is merely an onerous burden on the producer of Indian hides and skins, and it benefits nobody except the Government.

9. In saying this the members of the Association are not unmindful of the great importance at the present time of every possible source of revenue. But the tax on hides and skins was not intended to be a revenue-producing tax. Indeed it seems to have been imposed by the Government under the mistaken impression that Indian hides are a monopoly article. They are not, of course, anything of the sort. They come into competition in the world's consuming markets with hides from Java, China, the Argentine, East Africa, West Africa, Australia, the United States, and other countries. They cannot, therefore, be taxed to any appreciable extent without injury to the trade. Goat-skins are, it is true, more in the nature of a monopoly article ; and it is acknowledged that the duty does not bear so hardly upon them. But the preferential rate is a handicap, inasmuch as it hampers the distribution of skins.

10. If the tax is wanted for revenue purposes it should be very greatly reduced and be thereby brought into line with the export duty on tea and jute. It certainly could

* Many of these were re-exported to foreign countries.

not be more than 2½ per cent. without being calculated to injure the trade. The low quality of the bulk of the Indian production of hides makes a high rate impracticable. The preferential idea should also be abandoned, as being likewise impracticable. It merely hampers the distribution of hides and skins without effecting any useful purpose.

11. I am to add, in conclusion, that Mr. L. C. Mousell, of Messrs. Grace Brothers (India), Ltd., a member of the Committee of the Association, will be prepared to give, if required, oral evidence in support of the opinions expressed in this letter.

12. A copy of a Memo., dated 13th July 1921, in which previous correspondence on the question is included, is attached.

(*Not printed. See paragraph 195.*)

Oral evidence of Mr. L. C. Mousell, Calcutta, the 9th January 1922.

8460. *President—Q.* You appear as a representative of the Calcutta Hides and Skins Shippers' Association, Mr. Mousell?

A. Yes, Sir.

8461. *Q.* And your members, a list of whom you have given, are interested only in the export of hides and skins and not in the tanning industry?

A. No. Several members own tanneries, but this Association deals only with the exportation of hides and skins.

8462. *Q.* In paragraph 5 of your statement, you point out that even with the amount of Protection which the tanning industry now enjoys (namely the export duty of 15 per cent. on hides and import duty of 11 per cent. on leather imported into India), the Indian tanning industry seems to be making no progress. Can you tell us why?

A. My firm thought of going into the tanning industry, and we had one of the best English experts out here, and his opinion was that neither the climate nor the water available in India was good enough to allow us to compete with the home manufacturers. We spent about a lakh of rupees on this investigation. We were prepared to go into this business on a very large scale and do competitive tanning on American lines. The water plays a very important part.

8463. *Q.* Did you examine the possibilities of getting suitable water supply in other parts?

A. The expert spent seven months in India and he travelled all over the country.

8464. *Q.* Then you think that at all events the result of your expert investigation is that India is not suited for competitive tanning industry?

A. That is my opinion.

8465. *Q.* And, therefore, you think that there is no object in imposing an export duty for the purpose of encouraging the tanning industry in India?

A. That is so.

8466. *Q.* In paragraph 7 you give certain figures indicative of loss in this trade, and in the next paragraph you say, "In the face of these figures it is surely ridiculous to suggest that the export duty can ever divert to the British Empire the enormous trade in buffalo and cow hides that was formerly carried on with the Continent and the United States."

A. The reason why I personally do not think that the British Empire will try to compete with the Continent is on account of the quality of the hides available in India. The quality of Indian hides does not compare favourably with the quality of the productions in the Argentine and the United States and also our home productions are very much better. Indian hides are of very low quality and they can only be consumed by people whose tastes are less extravagant than ours. We find the working man in England will never buy a pair of shoes of the same inferior quality as the German. The Germans work on anything that is cheap and the British on anything that is good, and therefore the home market is not one that will consume lower quality stuff to any large extent.

8467. *Q.* And, therefore, you think that the value to the Empire tanning industry of the preference that has been provided in the present tariff is *nil*?

A. I think so. There is no gain. When I was at home, several tanners told me that they thought it was too troublesome to buy Indian hides as they had to get bonds, and so on. Of course mostly Indian hides were purchased in England by dealers who financed tanners, and these people also have big transactions with the Continent, and they find that this duty is a most upsetting factor.

8468. *Q.* Is not there sufficient demand in India itself for the products of tanneries if they are carried on on a big scale?

A. There is a regular demand for a very low class of leather which is made by men we call *muchis* by hand work. They probably make 12 annas or a rupee per day. They use what we call "triple rejections," the last possible grade which we cannot ship anywhere. They manufacture shoes out of these at a price ranging from Rs. 1-8-0 to Rs. 3.

8469. *Q.* Surely in India there is a demand for the different qualities of leather and leather goods from the different sections of the population. I am asking whether Indian hides and skins cannot be manufactured into leather goods for the demand in India and whether the supply would be greater than the demand, or whether the demand would be greater than the supply?

A. The supply would be probably hundreds of times greater than the demand. There are enormous quantities of hides in this country.

8470. *Q.* The population is also enormous?

A. The population in general does not require leather goods to any extent. Most of the people do not wear shoes.

8471. *Q.* You think the demand is not sufficient and therefore there is a surplus of hides and skins which must be exported?

A. Yes, there is a very large surplus.

8472. *Q.* And that in order that exporters should get adequate prices, there should be no export duty? That is your position?

A. Yes.

8473. *Sir Maneckjee Dadabhoy—Q.* You have just stated in answer to the President's question that India is not suited for the cultivation of the tanning industry. Is that your individual opinion or is it the opinion of your Association?

A. The Association have not formed an opinion on tanning. This is my personal experience.

8474. *Q.* This duty was levied at the instance of the Hides and Skins Association originally in 1919?

A. Originally, before we belonged to the Hides and Skins Association most of the members of the Hides Association, as it was then constituted, owned tanneries and they supported the proposal. Since then even these people, who own tanneries, are against this duty.

8475. *Q.* The duty on hides was imposed in 1919 first?

A. Yes.

8476. *Q.* Then six months period of grace was allowed?

A. Yes, six months were allowed to redeem the bonds given for exports to the British Empire.

8477. *Q.* And that period was subsequently found to be too short to enable the stocks at home to be disposed of?

A. That is so.

8478. *Q.* And a further period of 3 years was allowed?

A. Yes.

8479. *Q.* That period has not yet passed. It will expire next September?

A. Yes.

8480. *Q.* And so practically no duty has been paid all these 3 years?

A. I am afraid that you have entirely misunderstood the position. In 1919 the markets began to fall and shippers made large consignments of their stocks. These stocks were mostly consigned to London and the preferential duty of 5 per cent. on the value, which was about 4 times the value of to-day was paid. But as most of the hides were eventually sold to the Continent, another 10 per cent. duty became payable, though pro-

bably it has not yet been paid. But on outright sales that have been made since, the full duty has been paid. If I make a sale to-day and ship to the United Kingdom, I pay the 5 per cent. duty. The duty of 5 per cent. is always paid. The bonds are a question of the difference.

8481. *Q.* My point is this. We are not exactly in a position to know whether this 15 per cent. duty has destroyed the trade or not, because that duty has not been in operation to the full extent ?

A. I am afraid you have misunderstood that duty. I have no doubt in my mind that certain firms must owe Government quite a considerable amount of money. Most of the stocks which were consigned to the United Kingdom have been sold to the Continent. The money is not due to Government for a long time to come yet, and when the time comes, the bonds will be redeemed. But the duty itself has to be paid eventually and the shippers are in a position now to see their financial position.

8482. *Q.* You admit in your statement that the exports to Germany and other foreign countries have increased, I mean the total volume of exports ?

A. The exportation of hides to Germany before 1919 was prohibited.

8483. *Q.* Since then, during the last two years, there has been considerable volume of exports ?

A. There has been a considerable amount of business.

8484. *Q.* I do not exactly understand the position. How has this duty affected the trade ?

A. The duty only affects the lower grades of hides. If we divide hides into 4 different qualities, we find that the top grades will find buyers even with the duty. But the lower grades are so low in price now that they cannot stand the duty, and the consequence is that they are largely accumulated in this country.

8485. *Q.* Am I to understand then that these large exports represent the high grades and not the lower grades ?

A. Not altogether, but the point is what is left over from the imports into the different markets in India consists solely of lower grades.

8486. *Q.* A large quantity also of the lower grades has been exported ?

A. Yes.

8487. *Q.* Has the duty really retarded the industry ?

A. It has retarded the business. We could have sold all the lower grades and at least 25 per cent. more goods if this duty had not been enforced.

8488. *Q.* Is your Association in a position to say that there has been any shrinkage in the trade owing to this duty ?

A. We all have personal experience of that.

8489. *Q.* What is your ground ?

A. We have absolute proofs that, for instance, we have lost at least 20 per cent. of the German business. Germany buys from other markets like China and Java. That is loss of trade to India.

8490. *Q.* The foreign market has been diverted to other countries ?

A. That is so.

8491. *Q.* I may tell you that we were told in Cawnpore by a very distinguished authority who deals largely in the trade that hides and skins are capable of 50 per cent. duty. Have you any explanation ?

A. That is Sir Logie Watson. It is no good talking about it. It cannot stand 15 per cent. not to speak of 50 per cent.

8492. *Q.* It could gradually be raised to 50 per cent.?

A. It is ridiculous to make such a statement, in my opinion. As it is, I would like to mention that the information I have received is that a large quantity of inferior hides is left to rot in the Bengal districts.

8493. *Q.* So far as goat and sheep skins are concerned, I understand that India has practically a monopoly ?

A. India has not a monopoly, but India has the best class of goat skins in the world, perhaps.

8494. *Q.* I would like your opinion on the subject. Is the goat skin capable of bearing a duty ?

A. Yes. In my opinion, the goat skin business can bear a duty to a much better extent than hides.

8495. *Q.* Have you got any recommendation to make on that point about goat skins ? What duty, do you think, would be reasonable ?

A. I think a duty of half of the present amount would be quite justified. There are certain foreign tanneries which are turning down Indian goat skins. Other skins are cheaper. They produce cheaper leather. Still, we must admit the fact that the goat skin business this year has been good and fair quantities have been exported.

8496. *Q.* In the opinion of your Association, goat skins can fairly reasonably bear a duty of 7½ per cent. ?

A. Yes.

8497. *Q.* In your written statement, as well as in your long correspondence, you state that the duty is an enormous burden on the producers ?

A. We made that statement because Government were under the impression that the buyer would pay the duty.

8498. *Q.* It is not paid by the consumer ?

A. It is not paid by the consumer. It is paid by the man who breeds the cattle.

8499. *Q.* The view of Government was wrong ?

A. It was absolutely wrong, because we have no monopoly. The producer recovers a certain amount by increasing the cost of beef and mutton. The cost of beef and mutton has gone up in Calcutta over 100 per cent.

8500. *Q.* I understand that the United Kingdom is only a distributing centre ?

A. They act as financiers and so on, from the point of view of business.

8500*a*. *Q.* Could not the business go on without them ? Could you not directly deal with your constituents ?

A. Not always. Some tanneries buy through London. There is one firm or more who make purchases for tanners and are paid one per cent. commission.

8500*b*. *Q.* And you hold them responsible for financial obligations ?

A. They are responsible.

8500*c*. *Q.* That is why they could not therefore be dispensed with ?

A. Yes.

8500*d*. *Q.* Would you not be in a better position by dealing directly ? You are dealing directly with foreign countries. You have not got the same system there ?

A. Yes. We have in Germany, Italy and Spain the same system. The dealers advance to the tanneries. A lot of tanners buy direct from us of course.

8500*e*. *Mr. Mant*—*Q.* Was your Association consulted when this duty was imposed ?

A. Yes. Most of the big exporting firms were not members of the Association then.

8500*f*. *Q.* The Association approved of it ?

A. Most of the members of the Association, as it was then constituted, were in favour of it.

8500*g*. *Q.* Now you say that those members who have tanneries are opposed and are in favour of its repeal ?

A. The members of our Association who are tanners are now opposed to the duty, as they say they find it does not benefit them, but it is detrimental to them.

8500*h*. *Q.* You have no members representing only tanning ?

A. No.

8500*i*. *Q.* Are there any tanners here who do not do exporting business ?

A. There is one firm. They have given up the export of hides and they have resigned from the Association.

8500*j*. *Q.* We have no information about the attitude of the tanners ?

A. There is only one who is of any consequence here who is not an exporter.

8501. *Q.* You have said in answer to the President that good tanning was impossible in India. Is it a physical impossibility or an economic impossibility ?

A. The expert looked at it purely from the point of view of business and his view was that it was an unprofitable undertaking.

8502. *Q.* I understand that there is a certain amount of tanning, for instance, in Cawnpore ?

A. The quality of leather they produce cannot be compared to the quality of leather produced at home.

8503. *Q.* What I want to know is this. Is it impossible to produce good quality of leather at any cost or is it not economically possible ?

A. His idea was the quality of water was not good enough to allow him to produce the same standard of leather as in other countries.

8504. *Q.* Surely it must be different in different localities ?

A. The expert went to Madras, Bombay, the whole of the United Provinces and Calcutta. He is a man of very high standing and one of the best tanners we have in the United Kingdom. Water plays a big part in tanning and we did not doubt his word. In the United States, for instance, the best kid leather produced is in Philadelphia which has ideal water for tanning.

8505. *Q.* That could not be found in India ?

A. No. There may be places in India where such quality of water could be found, probably they are away from the railway lines.

8506. *Q.* Such places may be away from the tanning materials ?

A. It may be. I am only making my statement on the centres our expert visited.

8507. *Q.* At any rate, you could not produce leather of the finest quality according to your expert, but a good deal of leather is produced here ?

A. Most of the leather produced in India is half tanned hide known as kips.

8508. *Q.* There is a good demand for it ?

A. The number of kips sold from India is very small in comparison to the total export of raw hides in normal times.

8509. *Q.* Is that business not benefited by the duty ?

A. I do not think so.

8510. *Q.* I gather from your reference to the difficulties at home the main objection to this duty is the extra 10 per cent ?

A. The objection is to the duty as a whole. We object to being left here with an enormous quantity of inferior quality of hides, which we have to sell off to local tanneries or at a loss to foreign countries owing to the export duty.

8511. *Q.* You say that British tanners will not consume Indian hides. Is there any export trade in British leather ?

A. The British tanners prefer heavier and better class of hides to Indian hides.

8512. *Q.* Do they only tan for Great Britain or do they also tan for export ?

A. They also tan for export. The English leather is recognised in the leather trade as the best in the world and so they want to keep up their own standard. They cannot manufacture their standard from Indian hides.

8513. *Q.* You object to the preferential rate inasmuch as it hampers the distribution of skins. But you say that goat skins are more in the nature of a monopoly article ; and it is acknowledged that the duty does not bear so hardly upon them ?

A. I was then thinking of Canada. Canada has to pay 5 per cent. duty and they have very strict regulations so far as imports of goat skins are concerned. The buyers find it very troublesome to get the necessary bonds.

8514. *Q.* I understand you do not sell till after the hides or skins have arrived. You ship them from here, and you sell them in England ?

A. We make a contract by cable for export within two months from date of sale.

8515. *Q.* The price is settled then ?

A. Yes, when the contract is made.

8516. *Q.* Do you not lose by subsequent variation in prices ?

A. No, it is generally done on the same lines as jute and gunnies.

8517. *Mr. Birla—Q.* Is your Association largely interested in tanneries ?

A. No, we have certain members who own tanneries.

8518. *Q.* Do they export at the same time ?

A. Yes.

8519. *Q.* Could you tell us whether Messrs. David Sassoon were members of the Association ?

A. They were members, but now they have resigned.

8520. *Q.* For what reason ?

A. They have given up the exportation.

8521. *Q.* They were greatly interested in tanneries ?

A. Yes.

8522. *Q.* Did they feel that the duty would benefit them ?

A. I cannot express their views.

8523. *Q.* You cannot say that the removal of the export duty will in any way benefit the tanneries ?

A. No, it would not benefit them, but, at the same time, I do not think it would harm them.

8524. *Q.* It will benefit the exporters ?

A. No, it will benefit the Indians who own the hides. We would be able to do a certain amount of extra business, but that is a small matter in comparison to the harm that is being done to the producers who have to pay the 15 per cent.

8525. *Q.* Do you know from whom the Government make the purchases that are required for the Army ?

A. I understand that is done in Cawnpore. I believe they used to buy from Messrs. Cooper Allan and Company.

8526. *Q.* Do they make all their purchases in India ?

A. I do not know.

8527. *Mr. Rhodes—Q.* Your contention is that if this export duty continues, it will affect the business of shippers of raw hides and skins to a great extent in India ?

A. Yes.

8528. *Q.* Is any classification of hides possible ?

A. It is possible according to the quality of the hides.

8529. *Q.* Would it not be possible to have a duty graded in accordance with the quality of the hides ?

A. I am afraid it would be rather difficult ; it would mean a continuous check.

8530. *Q.* With regard to goat-skins, you say that they would stand a duty. Are goat-skins tanned in this country at all ?

A. Yes, in Madras.

8531. *Q.* What would be the object of levying an export duty ? Would it be merely for revenue purposes or for home trade ?

A. For revenue purposes only.

8532. *Q.* You think that the duty could be imposed and the foreigner should be made to pay ?

A. I think a reasonable duty might be imposed, but the foreigner would not pay.

8533. *Mr. Coyajee—Q.* It has been asserted before this Commission that the general slump and fall of prices has been so strong that we cannot calculate satisfactorily the effect of this export duty on the price of our hides and skins. Do you agree with that view ?

A. No. I think we can do that easily without any difficulty whatever. We know what the export duty is and the price of hides and skins has gone so low now that we cannot compete with a lot of other countries with the extra 15 per cent.

8534. *Q.* You think that it is calculable now ?

A. Yes.

8535. *Q.* Now, supposing there had been no slump—would not the Indian tanneries then have benefited by this particular export duty ?

A. No. If there had been no slump, the Indian tanneries would not have had a chance of buying anything.

8536. *Q.* Would not the export duty lower the price of the hides and skins ?

A. The point is that the Indian tanner, as much as any tanner, wants to buy top grades, and for top grades the duty does not make any difference at all. It is the lower grades which are hampering our business, and the lower grades we will willingly sell to the Indian tanners, but they do not want them. They want the top grade and the top grade we can sell including the export duty.

8537. *Q.* During the last two months the prices of hides and skins have been rising in London. Do the Indian hides and skins share in that rise of price ?

A. The market has gone up here considerably during the last three weeks.

8538. *Q.* But do you think our Indian hides and skins have benefited at all in that line. The price of Indian hides and skins has also risen ?

A. Yes.

8539. *Q.* Are you aware that South Africa has, for many years, maintained an export duty on hides and skins and it seems, no damage resulted from it ?

A. I am not aware of it. What is the export duty ?

8540. *Q.* I cannot tell you.

A. I know that the Argentine had an export duty on hides and skins and, owing to this fall, they have cancelled it.

8541. *Q.* Have they cancelled it ?

A. Yes, there will be no export duty on hides and skins until the trade has recovered.

8542. *Q.* Do not the continental countries differentiate against our tanned skins by their tariffs, and is not that an argument for an export duty ?

A. Continental countries have an import duty on leather, but I think our object is to realize money for our produce and not have a large quantity of it wasted in this country. It is a total loss to this country and throws a large number of people out of employment.

8543. *Sir Montagu Webb—Q.* The answers which you have given to the Commission are so clear that I do not think there is any further point for me to ask you. I would, however, just make quite sure that I have got the drift of your evidence right. I rather gather that in your opinion an export duty on hides is not only of no assistance in encouraging tanning industries, but that it is an actual disadvantage to this country because the lower qualities of hides cannot be exported and are simply wasted. Is that the general drift of your evidence, so far as the export duty on hides is concerned ?

A. Yes. I maintain that, owing to this export duty, a large quantity of undesirable hides are held up in India and are bound to attract Indian tanners owing to their low price, and the Indian tanners do not get what they want and as they have to compete with the world market they get inferior stuff which is bound to spoil their name.

8544. *Q.* Then, with regard to goat-skins, do you think an export duty would be of any advantage ?

A. It might be of advantage for the purposes of revenue.

8545. *Q.* But not for the purpose of developing the tanning and skin industry ?

A. No. I do not.

8546. *Sir Edgar Holberton—Q.* With regard to skins you say the United States take practically all the skins that India produces. Has there been any talk, to your knowledge, about putting on an import duty ?

A. Yes, but whether this will apply to all skins or only to Indian skins, I am not in a position to say, but from private information which I have received on the question, it is an import duty on all skins and there may be a possibility of some arrangement made by the United States of America Government with different Governments to cancel it again.

8547. *Q.* I understood you to say that we have something in the nature of a monopoly in the particular raw material wanted in America. So this would not affect you very much ?

A. Well, it would in this way. I was in New York last November and I was told by several tanners there that there was a possibility of imposing a duty on hides and skins in the United States, but there was also the likelihood of this duty being cancelled by an arrangement with the different South American countries in which case, of course, we are the victims.

8548. *Q.* But who are your competitors in skins. It is not South America ?

A. I think America produce a certain number of skins, also China, etc.

8549. *Q.* Do you get as many hides as you want ?

A. No, there is a great scarcity of hides now because it does not pay to slaughter.

8550. *Q.* If the producer is the man who pays the 15 per cent., it seems to me a little difficult to find out how it affects your trade very much ?

A. It affects it in this way that the hides of animals that have died a natural death are most difficult to dispose of owing to their inferior quality.

8551. *Q.* They are of no use ?

A. They are called rejections and double rejections. I am told that these hides are now in many instances left to rot on the carcase because it does not pay to take them off.

8552. *Q.* But previously were they killing animals to sell hides ?

A. That is why beef and mutton were very cheap.

8553. *Q.* They do not kill as many cattle now ?

A. There is practically very little slaughtering, just enough to supply the wealthier class of the population with meat.

8554. *Q.* Then really the damaging effect on your trade of the duty is to cut you off from the quality of hides that you can best deal in ?

A. Absolutely. The tanner also suffers because he does not get the top grade.

8555. *Q.* The competition for top grades is world wide, is it not ?

A. The reason for this is that the cost of tanning a good hide and a bad hide is exactly the same.

8556. *Q.* You told us that you deal principally, if not entirely, by contracts made before shipping ?

A. Yes, within two months from date of shipment unless otherwise stipulated.

8557. *Q.* Is it in your knowledge that the trade has been very hardly hit by exchange ?

A. These are lessons that we have learned.

8558. *Q.* This is what I mean. You have changed your principles of trading ?

A. Yes.

8559. *Q.* You did not before adopt so safe a method of trading, did you ?

A. No.

8560. *Q.* When this duty was put on, it was supposed that it would build up the tanning trade of India ?

A. That is so.

8561. *Q.* As far as your information goes, that policy has been a failure ?

A. Absolutely.

8562. *Q.* Then the only justification for keeping on the duty on skins only would be the revenue ?

A. That is all, and then I think it is very unfair on the producer.

8563. *Mr. Rhodes—Q.* I think you mentioned to me as regards skin that the consumer would pay ?

A. Yes, I am afraid I was wrong about that. I think the producer must pay. There should be a certain amount of division.

8564. *Sir Edgar Holberton—Q.* There is, at the present time, a very large quantity of skins rotting in India ?

A. No, not goat-skins, mostly buffalo hides.

8565. *Q.* Well now can those be used in India to any considerable extent ?

A. We sell the worst of these hides to *mochis* who make little bits of leather out of them and then make boots.

8566. *Q.* What I wanted to ask you was. is there or is there not a considerable utilisation of leather products in India ?

A. In India you have only a few tanners who manufacture leather goods in Cawnpore, for instance.

8567. *Q.* I am talking of the lowest grades of hides. Does the rough tanner make any use of them ?

A. He sells his bits of leather to those men who repair anything you may wish repaired.

8568. *Q.* I have seen a number of articles such as leather buckets and so on ?

A. You mean these *Musaks* or water bags ? Those are good skins; you cannot make them out of rejected hides.

8569. *Q.* There is only one other point. The quality of Indian hides, on the whole, is very bad ?

A. It does not compare at all favourably with most qualities, the main reason being the texture of the hides.

8570. *Q.* There is actually a difference in the texture ?

A. Yes, it is very much looser. The strength of the Indian hides is too little to use for certain purposes, such as making belting.

8571. *President—Q.* You say that in consequence of the duty and the corresponding diminution of the prices at which you could export, the same number of cattle is not being slaughtered now as used to be ?

A. Not even half.

8572. *Q.* Is not the saving of the cattle a very great advantage for agricultural purposes ?

A. I do not know whether it is advantageous for the man who has got to pay for his beef and mutton.

8573. *Q.* I am not talking about mutton and beef, but I am talking about the interest which the people are taking for a sufficient number of cattle to be saved for agricultural purposes. Do you not think that there has been a great complaint amongst the agricultural classes that a large number of cattle are being slaughtered for their hides ? Do you not think that this duty is a very great gain in the interest of agriculture? It is a very important point that arises in your reply and we should like to have some information on it ?

A. I do not see how it can affect the trade.

8574. *Q.* In reply to Sir Edgar you said that the result of the export duty was that prices were so low

that it did not pay people to slaughter animals for trade purposes.?

A. I said so.

8575. *Q.* And that in consequence of the diminution in the number of cattle slaughtered, the prices of beef and mutton have gone up; that was one aspect of the question. Another aspect of the question is that all those cattle remain alive and are serviceable for agricultural purposes and afford greater gain to the country ?

A. I do not think so, because the owner of those cattle has his money invested in cattle. From a business point of view, I think it is a most deplorable position that he has got his money locked up in stocks and is not able to realise his money.

8576. *Q.* That is to say, the price of cattle is reduced by this measure ?

A. It is bound to be.

8577. *Q.* But is not that a very substantial advantage to the agricultural industry. I wonder whether you can tell me anything on that aspect of the question ?

A. I do not think so, because there is an enormous supply of cattle in this country which will be quite sufficient for all purposes.

8578. *Q.* I thought the complaint was all the other way, that there is not an adequate supply of cattle in India for agricultural purposes ?

A. There is an abundant supply of cattle in this country. I have not got the figures with me now, but there are many more head of cattle than there are in other countries. That is an established fact.

8579. *Q.* But have you compared the population and area of each country when you compared the census of cattle ?

A. I think the number of cattle in India is very large. I think there will be no difficulty about cattle.

8580. *Q.* You have considered the question from the point of view of your trade. You have not considered how the supply of cattle would affect the agricultural industry ?

A. It is a question really of breeding, whether the cattle that are slaughtered and which die a natural death during the year are replaced by other cattle. And statistics will show that before the war, in the seven normal years, the export figures were practically the same. This proves that whatever goes out of the country during a year is replaced, if not perhaps more than replaced.

8581. *Q.* Have you got statistics of exports for famine years and ordinary years ? Do they vary in famine years ?

A. They generally balance themselves. Generally there is famine in India somewhere.

8582. *Q.* What about ordinary years ?

A. There is always famine in India somewhere.

8583. *Q.* You are talking of famines and scarcity, but you have not looked into that aspect of the question.

A. I have not looked into that aspect of question.

8584. *Mr. Mant—Q.* I understood you to say, in answer to Sir Edgar Holberton, that in consequence of the duty you offered the producer 15 per cent. less than you would otherwise offer ?

A. Yes.

8585. *Q.* In the case of hides which you sell to the United Kingdom you keep the 10 per cent. ?

A. No. I do not think so. I quite agree that I will keep it if I can. But I am afraid there is no opportunity. The tanner is quite aware of the position. He buys through dealers. The dealers will buy for shipment to Genoa at 10 per cent. more than to London. The Empire tanner knows that he gets a rebate of 10 per cent. I will offer to Hamburg at 10 per cent. above the price that I offer to Empire countries.

8586. *Q.* Does he not offer you higher prices when he knows that he gets a rebate of 10 per cent. ?

A. This price generally works out at the same price which we get from other countries for which we have to pay 15 per cent.

8587. *Q.* The natural inference seems to me that the result of this differential export duty is that it really goes to the exporter ?

A. I quite admit it may seem like that.

8588. *Mr. Rhodes—Q.* I could not quite gather what your reply to the President was. Is your reply that if the ryot gets better prices for his hides by slaughtering cattle, it is likely to encourage cattle breeding ?

A. Yes. I am not very familiar with this subject. But there is a big cattle trade in India. If there is a big demand for hides, there will be a big business done in cattle.

Witness No. 58.

B. A. COLLINS, Esq., I.C.S., Director of Industries, Bihar and Orissa, Patna.

Written statement, dated the 26th November 1921.

8589. To answer all or even a good part of the questions asked by the Fiscal Commission would involve the writing of a treatise on political economy. I propose, therefore, after a few remarks on points of principle, sufficient to explain the attitude which I take in particular cases, to confine myself, as far as possible, to concrete examples.

General Principles.

I am convinced that the artificial encouragement of trade and industry by tariffs and industries is one of the main factors likely to lead to a new world war. Further, after a study of the history of Germany, I believe that tariff walls are in themselves bad things, which though they may, for a time, in certain circumstances, conduce to the prosperity of a nation, will in the long run, especially if generally adopted, react unfavourably on the prosperity, not only of the world and thus of the several nations inhabiting it, but of the prime offenders in particular.

2. On general grounds, therefore, I am a free trader and hope that the day may yet come, when tariff walls will disappear and all nations enjoy the advantages of unfettered commerce. But whether at any particular time it will suit a particular nation to utilise a tariff to protect its industries is a different matter, which can only be decided after a careful study of the circumstances of the case. For instance, the most rigid exponents of Free Trade theory, *e.g.*, J. S. Mill himself, have always admitted that a tariff may be justifiable to build up nascent industries. Again the situations of different countries vary very greatly. The United Kingdom, for example, which has to import a large proportion of the raw materials or partially prepared materials required for its manufacturers, and again to export much of its finished products to compete in the world's market, is in a very different position from, say, the United States of America, which produces nearly all the raw materials it requires and finds its biggest market among its own people. Again, another country like Canada may be justified in putting up a tariff wall against its neighbour, because it wishes to retain its national identity and has to prevent a commercial, which may lead to a political, fusion. Moreover, however much one may favour free trade as a panacea for the whole world, one has to realise that tariff walls, tariff wars, bounties and the like, still exist and form a menace to the world's peace. To sit unprotected before a country which sets out to conquer your trade and to penetrate you through and through may be just as foolish as to sit unarmed, when a Germany is arming to conquer the world by force. Italy is a good example of the dangers of peaceful penetration which may lead practically to denationalisation and slavery. Finally, a tariff may often be a convenient way of raising revenue and, if it must exist, may just as well be manipulated, at least, so as to aid nascent industries.

3. Without entering, therefore, into a long discussion as to the reasons for my views, I may state that I am of opinion that, in her present position, a moderate tariff is a necessity for India, partly as a convenient means of raising revenue, partly as a simple method of encouraging industrial development, and partly to protect her against aggressive and energetic nations like Japan, whose penetration is a real national danger. I say this with a full recognition of the disadvantages of a tariff and the political demoralisation to which it may easily lead in a country like India. But Great Britain went through a period of political corruption and America has hardly emerged from it, and I think India must take the risk. I consider, however, that it should be a settled principle that the tariff should be imposed primarily for revenue purposes and that the general rate required to raise the revenue needed should be altered as little as possible, and only for the definite purpose of admitting raw materials free or encouraging new industries. Established industries which cannot live behind the general revenue tariff must be rotten and had better be left either to cure themselves by improvements in technique or else die out. Exceptions may be made where the competition comes from a trade fed by bounties or subsidies, against which unfair competition it may be necessary to afford a *temporary* Protection.

4. Following these principles, I propose to discuss two particular industries to which I have devoted some special study, *viz.* (1) the chemical industry and (2) the metallurgical industry, both of which require careful consideration.

The Chemical Industry.

(1) The chemical industry is a good example of the great practical difficulties involved in a protective tariff. At the present moment, all chemicals pay the general tariff rate of 11 per cent. *ad valorem*. At one time chemicals required for the weaving industry, *e.g.*, coppers, were admitted free, but when the duties on cotton goods were raised, this special concession was removed. The chief chemicals imported into India are (1920-21, figures) bleaching powder (162,162 cwts.), sodium carbonate (666,034 cwts.), sodium bi-carbonate (86,196 cwts.), caustic soda (83,951 cwts.) and sulphur (211,841 cwts.). Now, there is not the least doubt that the encouragement of chemical manufactures in India is of the greatest national and political, as well as economic, importance. The history of the late war and its diabolical inventions is sufficient to show this. But when one comes to details, it is not so easy to decide how it should be done. The two great fundamental chemicals on which hitherto all industry has been built are sulphuric acid and sodium carbonate. Circumstances have now changed somewhat and some very important chemicals, formerly always derived from these, *e.g.*, nitrates and caustic soda, are no longer generally made from them, but they still remain the chief bases of modern industry and need special consideration.

Sulphuric Acid.

In most countries there are indigenous sources of sulphur and sulphuric acid is made either from pure sulphur or from iron pyrites or zinc sulphide (in the last case usually as a by-product). In India there is practically no indigenous source of sulphur and the acid is at present made entirely from sulphur imported from Japan and Sicily. To encourage the industry and to cheapen the price of the acid, without which an indigenous chemical industry cannot be built up, *sulphur should be admitted duty free.* So also should sulphide ores and especially zinc sulphides, which will be discussed more fully under the head "Chemical Industry." Should any attempt be made to produce sulphur in India from crude sodium sulphate, or any other source, such a venture would deserve the strongest support from Government, both moral and financial. Cheap sulphuric acid is important not only to industry but to agriculture, as it forms the basis of many chemical manures, *e.g.*, ammonium sulphate and super-phosphate. The former is being produced in India in larger and larger quantities in the coal fields as a by-product of coke manufacture, but is deemed too expensive by the Indian cultivator and is mostly exported to Java where the Dutch planter uses it to produce cheap sugar to mport into India. If cheaper acid were available, it might just prevent the export of a valuable manure, which is at present used to strangle one of our chief nascent industries.

Sodium Compounds.

The case of sodium compounds is more difficult. At present sodium carbonate, which is imported into India in such great quantities, chiefly for making soap and glass is not produced in the country in a pure state. A large amount of crude carbonate is available in the form of an efflorescence, both in Northern India and Burma and is used in great quantities for washing purposes, but high grade soda has not hitherto been produced from it, except on an experimental scale, and it seems most unlikely that sufficient will ever be made in this way to meet the growing needs of industry. India at present depends on two main sources for soda, (*a*) Brunner Mond and Company of Great Britain and (*b*) the Magadi Soda Company, whose natural deposits lie in North-East Africa. In the latter India has a great source of cheap soda near at hand, but under modern conditions there is great danger in being absolutely dependent for such a fundamental chemical on foreign supplies, and there cannot be the least doubt that in some way or other the manufacture of the three sodium compounds mentioned above should be started in India. This is not the place to discuss which process is most suited to India or where manufacture should be undertaken. The only question is whether or not this is a suitable case for a high protective tariff, since up till now the normal revenue tariff of 11 per cent. has not led any manufacturer to take up the business.

As it happens, sodium carbonate is a good example of the difficulty of encouraging a chemical industry by tariffs. It is the raw material of several important industries and if, say, a 30 per cent. duty was placed on it, it would greatly hamper those industries. For instance, even now sodium carbonate accounts for about 65 per cent. of the cost of raw materials for making glass and a marked rise in price might kill an already struggling industry. To try to develop the production of soda compounds by a specially high rate of duty would, therefore, be a dangerous experiment and this seems an industry which should be assisted in the first instance, either by a bounty on production or else by state loans or subscriptions to share capital. (The matter is one which calls for early action by the Central Government in the interests of national safety.)

The examples of sulphur and soda have been chosen partly because they form the great bulk of the chemicals imported and partly because they are typical. They serve to show that the chemical industries, and industries in general cannot best be assisted by indiscriminate increases of duty, which would be liable to defeat their own object. Each case demands separate consideration and, on the whole, a policy of state-aided companies rather than high tariffs is indicated. Further examples could be given but sufficient has been said to support the views put forward.

Metallurgical Industries—Steel.

(2) The metallurgical industries also present peculiar difficulties. The iron and steel trade is the most important and will be discussed first. At present, iron and steel pay only 2½ per cent. *ad valorem*; that is, the iron and steel trade enjoy practically no benefit from the tariff and are exposed to nearly the full force of competition from foreign products. The reason for this special treatment of iron and steel seems to have been that they are an important raw material for several industries and in the form of structural steel, rails, etc., are a basic necessity for railways and other similar concerns, while up till quite recently steel was not made in India. With the advent of the Tata Iron and Steel Works and the promise of other steel concerns, the whole situation is changed. So far as steel and wrought iron is concerned, I have no doubt whatever that in future the normal tariff should be applied or else some form of bounty should be given. Steel is not a raw material in the sense that cotton, wool, timber, mineral ores or even pig iron are. It is produced by an elaborate technical process, which demands huge capital and great skill

and is usually put on the market in a more or less finished form, *e.g.*, rails, girders and angles. It is a basic industry in every country and from every point of view its firm establishment is of prime importance to India. Many countries do all they can to assist it, *e.g.*, Japan, Australia, Germany, etc., by means of tariffs, bounties, etc. India must be the only country in the world where it is actually placed at a disadvantage in comparison with most other industries. On account of the present state of the exchange, the industry is now exposed to severe competition under artificial conditions from Germany and Belgium and, unless it is given some assistance, will, I feel sure, soon be in difficulties, if it is not so already. It seems to me a matter of great urgency to change the law. Further detailed reasons can, if desired, be given verbally.

Machinery.

The change might, however, involve others. At present machinery, Railway plant and rolling stock are also on the 2½ per cent. list. If they remained there, while steel materials were put up to 11 per cent. it might, and I think, certainly would, hamper the development of steel manufactures in India. At the same time, to increase the cost of machinery which is not made in India, *e.g.*, textile machinery and internal combustion engines would have the same effect. There seem two possible courses possible, *viz.*, (1) to put up the duty on all to 11 per cent., (2) to put up the duty only on those machines which are made in India now or hereafter. On the whole, I favour the first, because it is merely giving equal treatment to all imported articles, except certain raw materials. A system of bounties might be adopted instead, but the course suggested is simple and has the great advantage of bringing a large and much needed addition to imperial revenues. The additional revenue in 1920-21 would have been over seven crores.

Pig Iron.

There remains the case of pig iron. The amount imported at present is small and consists of special grades not made in India. Imported pig cannot compete with Indian grades, which are, in fact, still commanding fancy prices. Protection is unnecessary and might hamper the development of acid steel manufacture. Pig iron should, therefore, for the present, at any rate, be treated as a raw material and allowed in *free*.

Non-ferrous Ores and Metals.

The case of other minerals and metals is different. At present all of these, *e.g.*, copper, zinc, tin, etc., pay the full tariff rate and so do any mineral ores which may be imported. The metals should, I think, remain as they are but ores of all kinds should be admitted free. It should be the policy of Government to encourage in every way the smelting of ores in India. Some of them do not exist or only exist in small quantities in India. The smelting of ores is often of great importance to a country on account of the by-products educed. Two concrete examples can be given :—

(*a*) Zinc sulphide, one of the commonest forms of zinc ore, when smelted, gives off sulphur dioxide as a by-product and sulphuric acid made from it is, therefore, very cheap. In fact, recent tendencies in England and other countries have been to use this ore as the main source of sulphuric acid, although most of the ore used is imported in the case of the United Kingdom. Zinc is required in large quantities in India and in fact the average imports for the last three years have been over 100,000 cwts. Government should, therefore, encourage the smelting of zinc ores in the country. A project to smelt the zinc concentrates from the Namtu Mines in Burma at Jamshedpur has fallen through, but there seems no reason why other imported ores should not be used and a large chemical industry started. But this would be difficult, if not impossible, so long as zinc ore had to pay the full duty.

(*b*) Not long ago the Cape Copper Company which had large stocks of copper ore in South Africa, which it could not smelt on account of the great expense of working, wished to ship it to their Rakha Mines plant here for refining, but could not do so because of the duty. They asked for a remission but were at first refused. I do not know what eventually happened to the case ; but this illustrates my contention that the present tariff may drive away good work and wages from this country.

I think that the case of the chemical and metallurgical industries show that manufactures can only be fostered by a scientific tariff, which should only be imposed on the recommendation of a Standing Board acting on the best scientific and technical advice. The constant raising of the tariff blindly for revenue purposes may well be a danger to the industrial development of the country.

5. Question 16 as asked seems to be outside the scope of the reference to the Commission. Presumably it means, should hand industries and in particular the handloom industry be protected by a tariff ? The answer to this is that it is impossible to protect the handloom industry apart from the mill industry unless you put an excise, such as at present exists, on the articles made in the mills. That excise has been so universally condemned that, even if one were to consider its retention theoretically advisable, it could never be maintained. It is, therefore, waste of time to discuss it. In any case, I do not think that any special protection is necessary, nor if it were practicable do I consider that it could be justified. After some experience, I believe in the vitality of hand weaving as opposed to hand spinning, and I think that the proper way to encourage it (and other handicrafts) is the way at present adopted by Government, *viz.*, the appointment of expert staff, the maintenance of institutes and schools, the sending of demonstration parties into the villages and the formation of co-operative societies and stores. The All-India hand weaving Exhibition recently held by my own Government in Patna has clearly demonstrated what a huge industry hand weaving is and how it can be and is being developed by the specialised Government department.

Oral evidence Calcutta, the 9th January 1922.

8590. *President—Q.* Mr. Collins, I understand that your view is strictly Free Trade in theory but that in practice you consider that Protection should be given to certain industries requiring it. Is that so ?

A. Yes. When we put up a fairly high tariff for revenue purposes, I certainly think it should be utilized as far as possible to protect certain industries.

8591. *Q.* Quite. But unless Government's policy is Protection, revenue duties are liable to be altered from time to time. That being so, people would not invest their capital in industries when they are under the sweet will of a Government imposing revenue duties. What would be your attitude in those circumstances ?

A. You mean that it would be dangerous to rely merely on a high revenue tariff ?

8592. *Q.* Capitalists will not like to invest their capital in industries, because the Government of India might vary the duties from the point of view of the exigencies of revenue ?

A. I should prefer to avoid high protective tariffs as far as possible.

8593. *Q.* High or low is not the point. I merely want to know your views as to whether you would accept Protection in the case of such industries as you have indicated at the end of your evidence, or whether you would strictly adhere to the principle of Free Trade with revenue tariffs.

A. It is a little difficult to make what is really a theoretical distinction. But I should certainly be in favour of utilising the tariff to protect certain industries.

8594. *Q.* That is a policy of Protection ?

A. Yes.

8595. *Q.* You say that you are "convinced that the artificial encouragement of trade and industry by tariffs and industries is one of the main factors likely to lead to a new world war." Will you please explain what you mean by that ?

A. The artificial encouragement of trade and industries by tariffs leads to the artificial growth of population in certain places. As other nations become more developed and competition asserts itself, and rival nations also begin to utilise the tariffs in order to prevent the free entry of goods into their country, then it becomes a matter of life and death between the rival nations to decide as to who should live and who should starve.

8596. *Q.* How do you say that tariffs will lead to the growth of population ?

A. By bringing about more work. When an industry increases and expands, it gives employment to more people, and therefore leads to the growth of population. Population, as a rule, follows the means of subsistence to a very great extent.

8597. *Q.* With the rising prosperity of a country population will increase. That is what you mean ?

A. Yes.

8598. *Q.* To avoid those risks of a world war, would you explain what would be your remedy ? What would you advocate ? Universal Free Trade ?

A. Yes.

8599. *Q.* Irrespective of the stage of development which each country has reached ?

A. It is very difficult to lay down a policy for any particular country. But I should like to see it adopted.

8600. *Q.* You assert that different countries are differently situated. Would you admit that the fiscal policy of each country should be regulated according to the local conditions of each country—you have enumerated the conditions prevailing in the United Kingdom, the United States of America and of Canada leading to different forms of fiscal policy adopted by each ?

A. Yes, in present circumstances.

8601. *Q.* In your paragraph 3 you say, "without entering therefore into a long discussion as to the reasons for my views, I may state that I am of opinion that in her present position a moderate tariff is a necessity for India". Why do you use the word "moderate" there ? Don't you think that if a policy of protective tariff is accepted, it should be adequate ?

A. There will always be room for argument as to what is adequate. But I am not in favour of trying to bolster up every industry by means of a tariff.

8602. *Q.* The point is this. In a case where the matter is thoroughly investigated and it is found satisfactorily that a protective percentage of duty is necessary, would you allow it, whether it is moderate, extravagant or trivial ? Would you allow it, provided it is adequate in the case of that particular industry ?

A. I should require very strong proofs before I put up a very high tariff.

8603. *Q.* I thought that the word "adequate" would be more appropriate than "moderate".

A. Yes.

8604. *Q.* Then you say further on, "I say this with a full recognition of the disadvantages of a tariff and the political demoralisation to which it may easily lead in a country like India." Will you please explain what you mean by that ?

A. I mean that the political life in India is very little developed at present in so far as Government has been in the hands of a foreign power. Now an attempt is being made to introduce democratic institutions. The country is young in respect of an independent political life. Tariffs have been found to demoralise countries all over the world, even countries at a more advanced stage of development. I think that may lead to more demoralisation in a country which is new to political institutions.

8605. *Q.* What you mean is that the legislature will adopt such a fiscal policy as would be to the advantage of the majority of the members. Is that so ?

A. It might be that. The tariff might lead to what they call in America log-rolling, and so on. Certain interests by means of corruption manage to get a tariff put on where it is really not justified. Such things have happened in other countries.

8606. *Q.* And would happen in India ?

A. I do not say they would. I think there is a danger of such things happening.

8607. *Q.* Coming to chemical industries, you don't think that the raw material for the manufacture of sulphuric acid could be had in sufficient quantities in India and that sulphur must be imported before sulphuric acid can be manufactured ?

A. There is practically no indigenous source of sulphur in India.

8608. *Q.* I hear that in Cutch there are iron pyrites available ?

A. I believe the amount is very small. During the war, when I was under the Munitions Board, I know investigations were made to see whether sulphur could be procured in large quantities in India in order to avoid shipping difficulties. But it was found that there was none available. There are small deposits of sulphur in the North-Western parts of India, Baluchistan and the borders of Persia. Zinc sulphur is also available in Burma at the Namtu Mines. But I have heard of no other source.

8609. *Q.* Do you think that it would be an advantage to the development of industries in India to help the manufacture of sulphuric acid in India ?

A. Yes, certainly.

8610. *Q.* In dealing with the manufacture of sodium carbonate, you point out the difficulty in regard to glass manufacture, and then you suggest that perhaps Protection to the industry might be by way of a bounty on production or else by State loans or subscriptions to the share capital. Would you advocate such a policy ?

A. Yes, I do advocate that.

8611. *Q.* Coming to the metallurgical industries, with regard to steel you say, "Many countries do all they can to assist it, that is, Japan, Australia, Germany, etc., by means of tariffs, bounties, etc. India must be the only country in the world where it is actually placed at a disadvantage in comparison with most other industries." Then, would you recommend a change of policy in regard to this matter and give the necessary Protection to this industry ?

A. Yes.

8612. *Q.* Again, in continuation you say, "on account of the present state of the exchange, the industry is now exposed to severe competition under artificial conditions from Germany and Belgium." What are the artificial conditions ? Do you mean that the competition is due to the low rate of exchange in Germany ?

A. I understand that there is a great deal of steel being put on the market which is made out of scrap recovered from Belgium and France war scrap. By making use of this, the Belgium and German makers are enabled to produce and sell very cheaply, indeed.

8613. *Q.* Therefore you would advocate adequate Protection to this industry. Is that so ?

A. Those are purely temporary conditions.

8614. *Q.* You would provide temporary remedies for them ?

A. Yes. I have referred to this in connection with dumping.

8615. *Q.* Under the heading Machinery, you say, "The additional revenue in 1920-21 would have been over seven crores." Do you mean to say that the difference between 2½ per cent. and 11 per cent. would have been as much as 7 crores on all imports of iron and steel ?

A. Iron and steel, machinery and Railway stock.

8616. *Q.* Whether imported by private people or by Government ?

A. I do not think Government stores are included. I worked out the figures at the time, but I have not got them for reference with me now.

8617. *Q.* Seven crores is a tremendous revenue. I should like to know a little more definitely how the figure was worked out.

A. There may probably be a mistake. I will check it. I do not remember now how it was worked out.

8618. *Q.* You say, "A project to smelt the zinc concentrates from the Namtu Mines at Jamshedpur has fallen through, but there seems no reason why other imported stores should not be used and a large chemical

industry started. But this would be difficult, if not impossible, so long as zinc ore had to pay the full duty." That is to say, you would prefer the importation of zinc ore to be free ?

A. Yes, I would in fact like all ores to come free.

8619. *Q.* It has got to pay the full duty at present because the tariff is intended for revenue purposes ?

A. Yes.

8620. *Sir Edgar Holberton—Q.* In your first paragraph, you have made a general statement about Germany, in which you say that tariff walls have had really a bad effect on Germany. Is that what you mean ?

A. Yes, I think so.

8621. *Q.* Could you give us a few points where they have been bad ?

A. Speaking from a general point of view, they led to a very great and rather one-sided development in Germany such as would never have occurred in the absence of a system of tariffs and bounties which led to an enormous world export trade, and I think it was that policy which involved Germany in the recent war.

8622. *Q.* Purely from a fiscal point of view, did the country profit or lose by her intensive protective tariffs ?

A. They were able to support a larger population: it made her stronger and wealthier, but in the end it involved her having to fight for existence.

8623. *Q.* I gather that if you are driven into supporting a policy of Protection at all, you would like to protect what you call nascent industries rather than those which are already established ?

A. Yes.

8624. *Q.* Now, what do you exactly call a nascent industry ? Do you mean one which has already come into existence and is struggling, or one which has not really come into existence, but which is only talked about ?

A. I include those which are already in existence but which have not firmly established themselves. I would include the steel manufacture in India among "nascent industries."

8625. *Q.* Would you look upon Tata's Steel Works as still in the nature of a nascent industry ?

A. Before the war they were certainly by no means established: the war enabled them to put themselves on a good footing, but it now remains to be seen whether they can stand competition in peace time.

8626. *Q.* If they could not, would you be prepared to protect them ?

A. Certainly.

8627. *Q.* Indefinitely ?

A. The steel trade might be taken as a case in which, looking from the point of view of national safety, it would be advisable to protect indefinitely.

8628. *Q.* If you have to protect it at all, I understand you would rather do it by bounties and possibly transport assistance than by tariff. Would you not ?

A. Yes, I would. Seeing that it is necessary to raise a large amount of taxation by a revenue tariff, it seems to me that, on the whole, the simplest way is to give the steel trade at least the same benefit which any other industry gets.

8629. *Q.* And would you be in favour of taxing machinery ?

A. Yes. It is a difficult question.

8630. *Q.* In your note you say that one of your means of assistance would be by State loans and also State subscriptions to share capital. Could you tell me exactly how you would work them ?

A. Well, there was a scheme for starting a large chemical manufacturing concern in India on these lines, but it did not come to anything. There is no reason why the State should not subscribe several lakhs in the way of share capital, appoint a Director on the Board and agree to take a certain fixed rate of interest for the money or else share in the profits on a certain scale.

8631. *Q.* Do you think it would be a fair use of the tax-payer's money ?

A. Certainly, in some cases where the national safety depends on it, or in the case of an industry on which many other industries may depend.

8632. *Q.* But if the industry is likely to establish itself on a satisfactory footing, don't you think that capital would be forthcoming ?

A. It is not always the case. The prospects of an industry are not so very certain at first, especially when they are exposed to free competition from abroad, as to make people willing to risk large sums. Especially in the case of the chemical industry, a large amount of capital is required.

8633. *Q.* Would you look upon the war risk of this industry not being started grave enough to justify your gambling with the tax-payer's money ?

A. I would not use the word "gamble."

8634. *Q.* Well, to invest the tax-payer's money in a speculative business ?

A. I would not invest if the prospects are not fairly good.

8635. *Q.* In that case could you not get the public to invest ?

A. My view-point is that Indian capital is extremely shy.

8636. *Q.* That is your experience as Director of Industries ?

A. Yes.

8637. *Q.* Do you mean that when there is a first-class proposition promising a good return of money, you cannot raise the capital ?

A. No. I should not be prepared to say that that is the general rule in India.

8638. *Q.* As a Director of Industries in Bihar and Orissa, could you give us any idea of what successful or likely to be successful industries you are at present fostering in your province ?

A. We are paying a good deal of attention to the hand-loom industry. That is an old established industry of course. We have now got a scheme for establishing a sugar mill in South Behar.

8639. *Q.* That sugar mill—is it to be aided by the State ?

A. It is a State mill. In North Behar we have a number of sugar mills: there is a large area under sugar; big indigo planters are established there and they have a certain amount of land under their own cultivation—very often fairly large areas—and at the same time the cultivators there are thoroughly used to dealing with them. The result is that a sugar mill established there can rely on getting supplies of cane. There is no difficulty whatever in making sugar: anybody can make sugar, but you must have a certain supply of cane. That could be obtained in North Behar. Agreements are entered into with planters and for this reason most of the mills are working there. But in South Behar, in the canal irrigated land, there is as much land under sugar as in North Behar; and generally speaking from an agricultural and industrial point of view, conditions are very much better than in North Behar. But no firm is willing to set up a mill there, because land is entirely in the hands of small cultivators, and it is impossible to be certain of a supply of cane. Government are therefore proposing to put up this mill—a small mill it is—in order to prove, as they hope is the case, that the cultivators will be willing to sell their cane to a sugar mill on a free basis.

8640. *Q.* Any other industries besides sugar ?

A. The Government have not done anything else. Of course, my department has only started; it is less than two years old.

8641. *Q.* These are the only two industries you have turned your attention to ? Do you consider that they require Protection ?

A. I have mentioned the case of the hand-loom industry. Of course, it is protected to a certain extent now even from the Indian mill industry by means of the excise, but I imagine it is quite impossible to talk about putting on a further excise duty on the Indian mill industry: on the other hand, the excise is more likely to disappear.

8642. *Q.* Well, the future will decide that.

A. I think what the Government is now doing for the industry is probably the best way to assist it.

8643. *Q.* You hope your sugar mill will be run without Protection ?

A. The sugar industry is already enjoying a large Protection of 15 per cent.

8644. *Q.* But it is not as much as they want ?—(No answer).

8644*a*. *Sir Montagu Webb*—Have you had any experience, Mr. Collins, in trade or Commerce ?

A. No. I am a member of the Indian Civil Service.

8645. *Q.* Mr. Harkishen Lal in Lahore recently described himself to us as neither a free trader nor a protectionist, but a "discriminator;" and, reading your paper, I think you perhaps come under the same category—that although a free-trader, in certain directions you think industries should be assisted ?

A. In that I share the opinion of so distinguished a free trader as John Stuart Mill.

8646. *Q.* He only referred to infant industries, but you are going further than infant industries. You are making recommendations for the Protection of industries which you think are essential for national welfare ?

A. That is a point which Mill never considered.

8647. *Q.* You refer in paragraph 3 of your written evidence to a moderate tariff being necessary to protect India against an "aggressive and energetic" nation like Japan. I think that in this sense the British are about the most aggressive nation in the world, as they have penetrated everywhere ! Is the danger you mention economic or political ?

A. Both economic and political.

8648. *Q.* Leaving politics entirely out of the question, perhaps you can explain what the economic danger is.

A. There is obviously an economic loss which India suffers at the present moment in respect of her cotton trade. Japan buys large quantities of raw cotton and makes it up into yarn and finished goods and brings it back to India again.

8649. *Q.* That line of argument seems to rest on the assumption that a man who is not making a profit is necessarily making a loss. If I am not doing something which would bring me a large profit, that means I am losing ?

A. I think, in that case, that India should surely aim at making up the cotton cloths which she herself requires.

8650. *Q.* Inside the country ?

A. Yes.

8651. *Q.* And would you go so far as introducing fiscal legislation to promote that development ?

A. Yes, I think I would, if it is necessary to do so.

8652. *Q.* This goes still a step further in the direction of Protection ?

A. It is impossible to be consistent, I think, in dealing with anything like this question. I am prepared to go so far as may be necessary in utilising to the full what tariff is required for revenue purposes for protective purposes for industries.

8653. *Q.* And you would not have the slightest objection if the revenue tariff exercises a protective influence ?

A. No.

8654. *Mr. Coyajee—Q.* In paragraph 3 of your answer, you say that a moderate tariff is a necessity for India, and a little lower down you observe that the tariff should be framed primarily for revenue purposes. What you mean, I suppose, is that we should not push protectionist duties so high as to considerably reduce revenue : in other words, our need for revenue is such as we should not push protectionist duties so high as to reduce it.

A. You mean, Sir, as the cause of falling off in imports ?

8655. *Q.* Yes.

A. Then, I have not got that so much in mind. I am rather in favour of raising the revenue required for revenue purposes by what is called a scientific tariff rather than by a dead level, by a wall all of one height, which not only may fail to give some industries sufficient Protection, but may even lead, as in the example of sulphur I have given, possibly to harm some of our industries.

8656. *Q.* You think most of our duties should be revenue duties, but some, protective duties ?

A. The tariff should be manipulated to protect certain industries and to encourage the development of others.

8657. *Q.* Coming to the chemical industries, one of the Directors of Industries has said that chemical industries like acid and coal tar industries should be protected as being key industries. Is that your view ?

A. I have given reasons to show that it would be dangerous to protect them in some cases by means of a tariff.

8658. *Q.* It is also asserted by the same gentleman that we should protect our sodium compounds. Would you resort to Protection in this case ?

A. I have stated that that is a case where Government could best help it by bounties or subscriptions to share capital,

8659. *Q.* Now, as regards the steel industry, it is asserted that it is in a precarious condition mainly on account of importations of war-scrapped materials. Are you aware that there are signs recently of this war-scrapped material having exhausted ? It has been asserted that Belgian firms are going back upon their contracts because their war-scrapped material is being exhausted. It is suggested therefore that a smaller amount of Protection will do for iron and steel ?

A. Yes.

8660. *Q.* You argue that there should be a duty of 11 per cent. on both steel and machinery. Now, with reference to that, I would submit to your criticism two alternative schemes. One expert has asserted before us that steel and iron should be charged less, as it is the raw material for making textile, Railway and other machinery. He argued, for instance, that steel should be charged 7½ per cent. ; Railway material, 15 per cent. ; and textile machinery, 10 per cent. What is your view as to this ?

A. I have no objection to the principle, but as to the rates for the various classes of machinery, I could not express any opinion. I have not thought about it.

8661. *Q.* What he argued was that Railway machinery should be protected heavily because it can be manufactured at once in India.

A. I would generally agree with that point of view.

8662. *Q.* That there is room for making Railway machinery ?

A. That any machinery which is manufactured in India or is likely to be, should be protected. If it is found, however, that it did not need any Protection, then I would not be in favour of protecting it.

8663. *Q.* The opposite view was this,—it was advanced by the Indian Metallurgical Association—that basic industries should be developed first ; that iron and steel is a basic industry, and therefore you should protect it by an 11 per cent. duty and admit machinery at 2½ per cent. What is your view of that line of argument—that basic industries should be established first and in the meantime very little Protection should be given to machinery ?

A. It seems to me that that would hamper the development of steel manufacture in India. I have said in my evidence that I am against Protection for pig iron. Protection for pig iron, so far as I can gather, is not necessary at present.

8664. *Mr. Rhodes—Q.* You propose an 11 per cent. duty on all machinery. Would this not hit the steel industry to some extent ? You are protecting the manufacture of steel, but at the same time you are penalising them as regards the imports of machinery from abroad ?

A. As a matter of fact, Tatas had actually to pay the tariff on a great part of their plant even under the present tariff, although they protested very much against it.

8665. *Q.* Do you say that they should have an 11 per cent. Protection on steel and also pay an 11 per cent. duty on machinery ?

A. I put forward two possible courses. I think on the whole the first is the simpler : it may have certain disadvantages, but the other course is extremely difficult to work out, and I am inclined to think that an 11 per cent. tariff is not such a very great burden.

8666. *Q.* I have gathered an impression from your paper—you can correct me if I am wrong—that you do not believe in the possibility of a scientific tariff, and you would put on, with some exceptions, a more or less general duty—as far as 11 per cent.—and if any industry finds no Protection within it, you would be prepared to see it extended ?

A. No, I did not mean to give that impression. I said, in some cases it might lead to that consideration. What I mean is I should be prepared to see such revenue as has got to be raised, raised by means of a more scientific tariff based on that general limit. For example, something like sulphur, might get in free. But I think simplicity is the greatest thing.

8667. *Q.* You are specially interested in Behar and Orissa in the iron and steel industry. Could you give us an idea of what a scientific tariff would mean in the case of that industry ?

A. No. I have not worked it out.

8668. *Q.* The difficulty we are up against is about devising this scientific tariff. Is it more valuable to import machinery cheap than to manufacture steel ?

A. You see the present tariff is very very inconsistent. Copper and copper ore pay an 11 per cent. duty, but copper is used in industries to a very large extent.

8669. *Q.* You think that a scientific system can be reached by a uniform rate, and certain goods coming absolutely free and certain luxuries taxed to a very high rate ?

A. I think, on the whole, it is better to have a uniform rate, but I see no objection to making exceptions in certain cases, *e.g.*, take the case of machinery : certain classes of machinery are not made in India, and we see no possibility of their being made in India, and I see no harm in their being let in at a lower rate. Take the case of the jute industry : where the machinery is made in Jamshedpur, you can give Protection to that machinery.

8670. *Q.* You suggest that State aid should be given for the manufacture of certain chemicals ?

A. Soda already pays an 11 per cent. duty. I do not suggest that it should be let in free. Probably in the first few years of manufacture it may need some further assistance.

8671. *Q.* Do you think that this idea of State aid by bounties or loans is practicable in the present financial condition ? How would you raise the money ?

A. In the immediate present the Government is not able to do much, I admit.

8672. *Q.* Have you formed any ideas as to how the money should be raised ?

A. No.

8673. *Q.* And you use a very sound argument as regards the manufacturer not knowing where he is if the rates are constantly rising and falling. You say, "The constant raising of the tariff blindly for revenue purposes may well be a danger to the industrial development of the country." It is a point that has been touched upon by the President, and I would like to have a little further information. When Government require more money or less money, would you regard the tariff as the first thing or do you think that the State should endeavour to raise money in other ways ?

A. I would not like to express an opinion on it. I am not in favour of a high tariff generally.

8674. *Q.* If it is put up in one year and down in another, it would be a source of danger to the manufacturer and you have no remedy at all to get over that ?

A. Certainly it is not likely to be put up and down very rapidly, I presume.

8675. *Q.* If it is going to be used as a chief source of income to the Central Government, is there not a danger ?

A. I think it is much better from that point of view not to interfere with the tariff more than it can be helped. I quite agree in that point.

8676. *Q.* Do you fear that it may be inevitable as Government require more money or less money year by year ?

A. I do not think it is inevitable that they should always have recourse to customs by any means. There are other sources of revenue.

8677. *Q.* You prefer they should not be constantly changing the duty ?

A. I think it is a bad thing.

8678. *Q.* The condemnation of the excise duty, I suppose, in your experience, is based on the circumstances under which it was imposed ?

A. Yes, I suppose that is the reason.

8679. *Q.* If we require more money and if we had to get it by means of taxation on some of the necessities, would you favour a consumption tax which is put on the imported and local article in addition to any duty ; on cotton goods, say 5 per cent. consumption tax ?

A. No. I prefer to see some industry like cigarette making pay excise rather than an excise on cotton goods. There are other industries which could bear excise duties.

8680. *Q.* Are there many industries on which you can put an excise ? You cannot put it on hand-loom weaving, for instance ?

A. No, that is impossible.

8681. *Q.* Can it be put on the cigarette manufacture ?

A. I see no reason why it should not be. It could not be put on the country cigarette or bidi. It could be put on the ordinary manufactured cigarette, the European cigarette.

8682. *Q.* Then you have no objection in principle to the imposition of a consumption tax ?

A. No. I have no objection in principle.

8683. *Q.* And you prefer it on everything else rather than on cotton goods ?

A. I do not see why cotton goods alone should pay.

8684. *Q.* If you want the bulk of the people to pay, are there any other commodities through which we could reach them for taxation purposes ?

A. I think an excise on clothing is bad, for it is a necessity. Cigarettes would be a good article for excise taxation, because they are a luxury.

8685. *Q.* Would not that so affect the European cigarette industry as to drive the consumer on to the Indian cigarette and thus deprive you of your revenue ?

A. It might, if the excise duty was too high.

8686. *Mr. Birla—Q.* About high grade soda you say, "and it seems most unlikely that sufficient will ever be made in this way to meet the growing needs of industry." Will you kindly explain why it is impossible to produce a sufficient quantity of high grade soda in this country ?

A. There are very few deposits in India.

8687. *Q.* Do you think the deposits are very small ?

A. They are not concentrated. They are large in amount but spread over a very large area and in a thin layer. There are deposits in Sind, rather large deposits, but the Geological Survey have reported that it will be impossible to make more than a comparatively small percentage of our total requirements from them.

8688. *Q.* Have all the deposits been surveyed and prospected properly ?

A. All those that are promising have been surveyed by the Geological Survey.

8689. *Q.* About excise duty, would you object if an excise duty is put on liquor and alcohol and intoxicating drugs in this country ?

A. They already pay.

8690. *Q.* Will you increase them ?

A. Certainly, if necessary.

8691. *Mr. Mant—Q.* You said you would favour a moderate rate all round. Have you any idea of what you call a moderate rate ? What do you think about the present rate of 11 per cent ?

A. I do not consider it excessive.

8692. *Q.* Am I to understand that you contemplate raising it in certain cases ? For instance, in the case of luxuries.

A. I would in certain cases especially where national safety might be said to be involved.

8693. *Q.* I want to pursue the point you raise about sodium carbonate. It is, to my mind, one of the most important questions we have to deal with. How could we encourage the basic industry without putting up the cost of the subsidiary industries which depend on it ? You suggest you do not like a duty, but you suggest a bounty. That is one form of State aid. Do you think that would be a feasible method of encouraging an industry of that kind ?

A. I do not know that I favour bounties so much as a loan or subscription to the share capital which might be the best way of dealing with it, at any rate in the first instance. There is no reason to suppose that, as a matter of fact, sodium carbonate could not be made properly in this country by one of the usual processes by which it is made.

8694. *Q.* You would prefer the State taking shares in the company ?

A. I think that would be the safest way of dealing with it. A bounty might be given at a later stage, if it is absolutely necessary.

8695. *Q.* Sulphuric acid is a very important thing and would you for that reason let in sulphur free ?

A. Yes. It is already manufactured of course to a very great extent.

8696. *Q.* There is another difficulty about State aid, in connection with financial relations between the Provincial and Imperial Governments. I understand that encouragement of industries is now a transferred subject, a provincial subject.

A. But the Central Government may spend funds in cases in which it considers that the national safety is involved.

8697. *Q.* You suggested aiding of industries which may not be of national importance, but which are the basis of other industries. I would like to know whose business it would be to render financial assistance to those industries?

A. You think in this case the Government of India would not be justified in subscribing to the share capital?

8698. *Q.* I am not in a position to express an opinion, but it seems to me that it will be a difficulty.

A. It may be a difficulty. I have not studied it very closely. I think if Provincial Governments have funds, they will be willing to assist industries in that way.

8699. *Q.* If they think it is a fair game, they might take shares ?

A. As you say, the problem of helping these basic industries is a very difficult one, and it is difficult to see a really satisfactory solution. There are many objections.

8700. *Q.* You realise that if you start helping them by protective duties, it would mean putting up the cost of the industries that depend on the basic industries ?

A. Some have to be helped in one way and some in another way, as circumstances require.

8701. *Q.* Then the steel industry presents some analogous questions. You suggest possibly a bounty on steel ?

A. Very much larger sums would be involved in that case. The difficulty of giving bounties will be very great.

8702. *Q.* On the whole you prefer an all round 11 per cent. rate on steel ?

A. Yes.

8703. *Q.* Then in the case of machinery, you prefer, on the whole, an all round rate. If you put that duty on steel, it follows that you must put some tax on machinery. Steel is a raw material for a lot of machinery. If you put the same duty on steel, it follows that you admit foreign machinery at a lower rate ?

A. Steel is very largely produced in more or less finished forms, rails, angles and girders and so on, which would thus get Protection. It is only when you come to make machinery or parts of machinery, that you would get competition from abroad. The steel now turned out by Tatas is in the form of steel rails, girders, angles and so on, which are more or less finished products.

8704. *Q.* Assuming we put a duty of 11 per cent. on steel, the price would be raised accordingly ?

A. Yes.

8705. *Q.* Do you think then, if we had an 11 per cent. duty on machinery, that we should get more demands for higher Protection on other industries that use machinery, for instance, the textile industry ?

A. As soon as the protective policy is adopted, I have no doubt Government will be faced constantly with demands from every industry for protection. It is a great objection.

8706. *Q.* It seems to me that if you start with steel, it gets on increasing and goes to the subsidiary industries. I take it that a bounty is impossible and that you must have a duty ?

A. I think that is the only possible course.

8707. *Q.* Then you suggest that pig iron should be allowed free. We had the Metallurgical Association here the other day, and I remember they asked for an 11 per cent. duty. Tata's representative was here.

A. Out of all the members, one of them makes steel, and the others all make pig iron. Tata's make steel of course. They do not suggest that pig iron should be let in free. They sell a good deal of pig iron and they would like to have Protection. None of these people use imported pig iron.

8708. *Q.* I thought it was in the interests of the steel manufacturer that you made your recommendation ?

A. It may be there are some firms who use imported pig iron, for instance, the Kirtyanand Iron and Steel Works. Pig iron too is not only used for making steel, but also for castings throughout the country.

8709. *Q.* You suggest a scientific tariff and recommend a Standing Board. What sort of Board do you contemplate ? Is it a Board composed of Government servants ?

A. I have not really thought over the question seriously.

8710. *Sir Maneckjee Dadabhoy*—*Q.* I have read your very interesting note, Mr. Collins, and the impression which I have formed is that in your heart of hearts you are a protectionist, but you do not like to admit it, because there is a certain opprobrium attached to the word Protection ?

A. I think you do me an injustice.

8711. *Q.* I shall try and rectify that, if I can. But then you acknowledge all throughout your note the necessity to protect nascent industries and other industries which want encouragement not by direct tariff but State aid ?

A. Yes. You are not a protectionist if you advocate assisting industries by means of bounties. That is what all free traders have said to be the proper way.

8712. *Q.* You do recommend State aid ?

A. Yes.

8713. *Q.* State aid can be in only one of two ways, by direct contribution by the State in taking up shares in a particular industry, or by a sort of pecuniary assistance during the time of trial ?

A. It can be given in other ways, by means of Railway concessions and so on. There are many other ways in which Government can easily assist an industry.

8714. *Q.* It would ultimately come to a sort of Protection, would it not ? It is a very fine distinction ?

A. Yes. The general tax-payer has got to pay.

8715. *Q.* When once the general tax-payer has to pay money and the money comes from the tax-payer's pockets, it is nothing but Protection by the State. You cannot differentiate ?

A. It is, in a way.

8716. *Q.* Now, I am afraid I cannot agree with you in two or three preliminary statements in your note, and especially as regards one of your answers to Sir Edgar Holberton in which you stated that the tariff wall led Germany into war. Will you explain it ? You do not refer to the last great war ?

A. Yes, the last war.

8717. *Q.* Surely, that was not a commercial war. That war was due to the preponderance of military power and desire for aggrandisement, and not to a tariff wall, as far as I have understood the history of that war ?

A. I read history somewhat differently from you.

8718. *Q.* I thought it was the desire for aggrandisement and the military power that was the cause of that war. Let us turn to another point. You speak about the United Kingdom and then refer to the United States of America " which produces nearly all the raw materials it requires and finds its biggest market among its own people. Again, another country like Canada may be justified in putting up a tariff wall against its neighbour, because it wished to retain its national identity and has to prevent a commercial, which may lead to a political fusion." You speak about these two countries and you say that a tariff may be justifiable in the case of the United States. Do you differentiate the case of India from that of the United States ? India is more or less in the same position as the United States. What is good for the United States would be perforce good for India as well ?

A. Yes, I would not say the parallel is exact by any means, but it is general.

8719. *Q.* Later on, in the same page, you say, " To sit unprotected before a country which sets out to conquer your trade and to penetrate you through and through may be just as foolish as to sit unarmed, when a Germany is arming to conquer the world by force." You refer to Japan ?

A. I do not refer to any particular nation.

8720. *Q.* Will not that remark apply with greater force to the United Kingdom and other foreign countries ?

A. To all foreign countries.

8721. *Q.* And, therefore, if you once accept the proposition that there has been exploitation, you would necessarily concede Protection to India on that basis ?

A. That is the gist of my paper.

8722. *Q.* You state, " I consider, however, that it should be a settled principle that the tariff should be imposed primarily for revenue purposes and that the general rate required to raise the revenue needed should be altered as little as possible, and only for the definite purpose of admitting raw materials free or encouraging new industries." Am I to understand that you do not wish

to foster industries which are already in existence and which are struggling. You would not give Protection to those industries ?

A. My definition of new industries would be somewhat elastic. I would, for instance, include the steel industry as a nascent industry in this country, although it has been in existence for 7 or 8 years.

8723. *Q.* You would not at the same time withdraw Protection from industries which, by a little backing up, would stand on their own legs ?

A. Certainly not.

8724. *Q.* I understand you to state, in reply to one of the members, that you are of opinion that India should be self-contained in the matter of clothing ?

A. Yes. I see no reason why she should not make all that she possibly can herself.

8725. *Q.* That is, you want India self-contained in the matter of clothing ?

A. I would not say absolutely self-contained.

8726. *Q.* No nation can be wholly self-contained. It is only as far as possible ?

A. Yes. It was certainly rather ridiculous that she should export her cotton and receive it back again in the shape of finished clothing.

8727. *Q.* You would like all her cotton which is now exported to be utilised by a larger number of new mills started in the country ?

A. Yes.

8728. *Q.* The condition precedent to the starting of such new industries is that that industry should be assured of a definite and a constant success. You would not otherwise like to put your money into it ?

A. It should be assured of a constant market.

8729. *Q.* Therefore, I would assume from this that you would not be against giving Protection to the mill industry ?

A. I consider it has already got a considerable amount of Protection.

8730. *Q.* In the present 11 per cent. duty ?

A. Yes.

8731. *Q.* I do not know whether you have studied carefully the past history of the mill industry ?

A. I know it has gone through bad times, and there was no Protection at all.

8732. *Q.* In this connection my friend Mr. Rhodes spoke to you about a consumption tax. I understand you are not in favour of consumption tax, so far as piece goods are concerned.

A. I certainly think the amount already put on is quite sufficient, considering that clothing is a necessity. I do not think an excise tax on such a necessity is a good thing. It may not be avoidable in certain instances.

8733. *Q.* You would like to see it repealed ? You would not like it to be retained ?

A. I would not like to see it increased.

8734. *Q.* Let us now consider this consumption tax. If we take the cloth (mill) industry, a consumption tax to be efficacious will have to be levied at the source where it is produced ?

A. Yes.

8735. *Q.* If a consumption tax is imposed, the mill will have to pay for all the cloth that is produced. Could you differentiate it from an excise duty in any way ?

A. No.

8736. *Q.* And, further, it would open out a wider door or Government putting duties on articles which may not be otherwise justified on the principle of excise duty ?

A. I see, for instance, that there is no more harm in imposing an excise duty on clothing than on salt.

8737. *Q.* But you have just admitted that on principle a consumption tax on cloth would be an excise duty ?

A. I suppose it is only a different name.

8738. *Q.* If you admit that principle, it would open out a wide door. Assuming, for the sake of argument, that the excise duty cannot be justified and you say that it must be abolished, Government, to please people, will abolish the duty and put on a consumption tax. A consumption tax in order to be efficacious and capable of being collected easily, must be levied at the source ?

A. Yes.

8739. *Q.* In other words, it is excise again ?

A. A consumption tax and an excise duty are practically the same.

8740. *Q.* It would be a means of introducing taxation, which I am sure cannot be justified ?

A. Yes.

8741. *Q.* So it would be a means of introducing a tax which otherwise may not be just ?

A. I will not express any opinion on that.

8742. *Q.* You do not wish to answer that question ?

A. I would rather not express any opinion.

8743. *Q.* If you want to protect certain industries then it is open to the Government to openly levy protective duties ?

A. I certainly say that Government should protect certain industries.

8744. *Q.* You spoke about an 11 per cent. duty on the steel industry and you said that it needed Protection at present. I should like to make the point clear whether you want machinery, etc., imported free or not, in connection with the steel industry ?

A. I have already stated that if it is necessary to tax certain articles of machinery, I would certainly favour those being taxed most which are actually being made in the country at the present time.

8745. *Q.* And that would apply in respect of all industries that need Protection ?

A. Yes.

Witness No. 59.

THE INDIAN ENGINEERING ASSOCIATION, Calcutta.

Written statement, dated the 31st December 1921.

8746. *Q.* 1. The Association favours a policy of Free Trade but has no objection to the imposition of Customs duties for the purpose of obtaining revenue.

8747. *Q.* 2. The Association considers that a tariff is less suitable than direct taxation and that any further taxation should be direct.

8748. *Q.* 3. The Association considers that the list of articles taxed requires reclassifying and that in certain instances the rating requires revision.

8749. *Q.* 4. Yes.

8750. *Q.* 5. The Association has no opinion with reference to this matter.

8751. *Q.* 6. and 7. The Association does not approve of imposing an excise duty on an article manufactured in India when the same article is imported.

8752. *Q.* 8. In the opinion of the Committee the consumer will, in most cases, have to pay more.

8753. *Q.* 9 to 42. With these questions the Association does not propose to deal.

8754. *Q.* 43. The engineering industry supplies the wants of Government, *quasi*-Government and other public bodies, and the commercial public in shipbuilding, the manufacture of rolling stock, structural steelwork, iron and brass founding, millwork, as well as

being actively employed as machinery, iron and steel, metal hardware and timber merchants and sanitary engineers.

8755. *Q.* 44. With this question the Association does not propose to deal.

8756. *Q.* 45. The Association thinks that the engineering industry is most essential to the national security of India, and that this fact was amply proved in the war.

8757. *Q.* 46. The Association considers that Indian workshops are as well organised and equipped as the majority of British shops.

8758. *Q.* 47. The industry depends on the Indian market principally, but Bombay firms also trade with Persia.

8759. *Q.* 48. Competition has to be faced in certain classes of goods with Continental firms.

8760. *Q.* 49 to 77. The Association does not propose to deal with these questions.

8761. *Q.* 78. The Association approves of the system of *ad valorem* duties.

Oral evidence of Mr. Skinner, Calcutta, the 9th January 1922.

8762. *President.*—*Q.* You appear as the representative of the Indian Engineering Association?

A. Yes.

8763. *Q.* And your Association, in answer to Question No. 43, give a list of the businesses that its members are carrying on?

A. Yes.

8764. *Q.* In answer to Question No. 1 you say the Association favours a policy of free trade but has no objection to the imposition of customs duties for the purposes of obtaining revenue. Will you please tell us on what ground you favour free trade? Is it as a matter of general theory or because of special Indian conditions?

A. I think it applies to all manufacturers, whether engineering or not. Free trade is better for the country.

8765. *Q.* Is free trade the best policy for every country in the world?

A. No, for India.

8766. *Q.* Will you tell me whether there are any special conditions why free trade is good for India?

A. Any Protection you give would do good to the new industries that are likely to crop up in India; those are things which need Protection.

8767. *Q.* We are dealing now with the question of policy. If you approve of giving Protection to certain industries which may crop up, then it is for free trade purposes?

A. We do not approve of that. We say it would be necessary to do that.

8768. *Q.* I want to know under what conditions. You know that most of the civilized countries in the world have adopted the protective policy?

A. Yes.

8769. *Q.* If that is so, there must be special reasons and special conditions in India which make it beneficial to her to have a free trade policy. Will you tell me what those conditions are in the opinion of your Association?

A. I am not in a position to say, because I have only just come out from home and we have had a meeting only for about an hour.

8770. *Q.* In answer to Question No. 2, you say that the Association considers that if any taxation is levied it should be direct. Will you please tell me what direct taxation you advocate?

A. Taxes like income-tax, taxation on individual persons as long as fairly levied. We have no objection to the present tariff as it stands, but rather than have an increase on that, we hold that people should be taxed individually.

8771. *Q.* Do you know that the work of administration has got to be carried on and that everybody is wanted to contribute towards the cost of the administration?

A. That could be done by taxing companies or individuals.

8772. *Q.* Do you think most people will come in to an increased income-tax?

A. Most people should come in, but it is not fairly levied.

8773. *Q.* Having regard to the population of India, do you think any large percentage could come in on the higher grades on incomes which are taxed at the high rates?

A. Not on the higher rates perhaps, but on the lower rates you get more.

8774. *Q.* You know that by indirect taxation we reach a large number of people for contribution to Imperial revenues than you can possibly do by direct taxation?

A. Quite so, but the opinion of the Engineering Association is that the tariff on the engineering commodities is very high now.

8775. *Q.* So that your opinion really is that your trade is sufficiently taxed indirectly, and therefore you do not want any further indirect taxation imposed upon your trade?

A. I am only speaking for my trade. Any further taxation on iron and steel goods would kill the industry.

8776. *Q.* You then say, in answer to Question No. 3, that the Association considers that the list of articles taxed requires reclassifying and that in certain instances the rating requires revision. Have you any concrete suggestions to make?

A. Well, take this tariff schedule that came out on Saturday. In number 2 Schedule for the year ending December 1922, the cost of angles, etc., is given as Rs. 300 a ton and 2½ per cent. duty, but the present cost of angles is 160 rupees a ton. That is a long way off the market price for a new list which was issued by the Commercial Intelligence Department last week.

8777. *Q.* Then your grievance is that, as the actual market value of this article is half of what the custom valuation puts it at, therefore you are paying 5 per cent. instead of 2½ per cent.?

A. That is so.

8778. *Q.* Your Association considers that the list of articles taxed requires reclassifying and, in certain instances, the rating requires revision?

A. You get a motor car out and have to pay 20 per cent. on the motor car and 20 per cent. on the packing case. When the motor car is out of the case, the case is of no use. There is no reason why we should pay 20 per cent. on a motor car case; after all it is only used for fire-wood.

8779. *Q.* That is to say, in your opinion because of that way of classification, more than 20 per cent. is levied on the motor car itself?

A. Yes. Again, we import a boiler, the boiler pays 2½ per cent., and the valve pays 11 per cent., although it is in the same packing case, and the valve can only be used for that particular boiler because it is specially imported for it. A number of other instances can be cited.

8780. *Q.* These are matters of detail?

A. Yes.

8781. *Q.* Then you say, in answer to Question No. 48, that competition has to be faced in certain classes of goods with Continental firms. Will you please explain what kind of competition you are facing?

A. We are concerned principally with what we call raw material, pig iron and such commodities.

8782. *Q.* Your industry successfully stands this competition?

A. Yes.

8783. *Q.* Therefore, you do not want any Protection against this competition.

A. No.

8784. *Sir Manakjee Dadabhoy.*—*Q.* How many firms does your Association represent?

A. Between 60 and 70.

8785. *Q.* And they are all engineering firms?

A. The qualification for membership is that you must have a workshop. It is not enough to have merely a hardware business.

8786. *Q.* You must have a workshop?

A. It is not enough merely to have a workshop.

8787. *Q.* Where some sort of engineering work is carried on?

A. Yes.

8788. *Q.* I understand for carrying on the work in these 60 workshops, almost all your raw material is imported from foreign countries except the material that you get from Tata's?

A. Yes, except what we get here, 95 per cent. from Great Britain.

8789. *Q.* Only 5 per cent. locally?

A. No. Of all the imported material, 95 per cent. is British and 5 per cent. is Continental.

8790. *Q.* Then I understand you get all small parts from there and you fix them up here in your workshops?

A. We manufacture, as far as possible, here. If we can manufacture here, we do not import anything in a finished state.

8791. *Q.* Most of these 60 firms are European firms are they not?

A. Yes 75 per cent. are European and some are Indian firms.

8792. *Q.* Mostly joint-stock companies?

A. Yes.

8793. *Q.* Registered in India or at home?

A. Both. Many of them are registered at home and some in India.

8794. *Q.* And you have practically, at present, no local competition?

A. There is plenty of local competition among the firms, but outside the Engineering Association there is no local competition.

8795. *Q.* I would just draw your attention to Question No. 45. "The Association thinks that the engineering industry is most essential to the national security of India, and that this fact was amply proved in the war." What do you mean by "national security?"

A. During the late war, a question arose as to how we would be able to help the State Railways towards making such things as fishbolts, sleepers and all that sort of thing, and nobody was able to help because we had no plant for them.

8796. *Q.* So India was terribly handicapped during the war?

A. Yes.

8797. *Q.* And you, therefore, like India to be self-dependent in these matters?

A. Quite so.

8798. *Q.* In order to be self-dependent there should be a large number of these firms in the country?

A. Yes.

8799. *Q.* If these workshops could not get on without any help or assistance from the State, in order that India should be thoroughly independent as you just now pressed in the case of war, you would not mind giving us some sort of assistance?

A. For the first ten years I think they should be assisted in order to make India more self-dependent.

8800. *Q.* So in order to support these industries and make them self-dependent for the first ten years till they stand on their own legs, I understand your Association would be prepared to give them Protection?

A. Yes.

8801. *Mr. Mant.*—*Q.* Your Association manufactures machinery?

A. We manufacture certain machinery in this country, such as pumps for mines and collieries, and certain types of machinery (not finishing machinery) in the primary stages of jute manufacture. We get our ordinary cast iron from Tata's and raw material obtained in the country.

8802. *Q.* It has been suggested to us that iron and steel manufacturers should be protected by 11 per cent. import duty. The Metallurgical Association recommended this is to us. Would that affect the members of your Association?

A. It would simply put up the selling price to the consumer.

8803. *Q.* Would the 11 per cent. proposed handicap your ordinary manufactures?

A. Oh yes, it will handicap our structural works, Railway bridges, buildings, etc., if you put 11 per cent. duty on raw materials. Cast iron we can get in the country.

8804. *Q.* You say that your workshops are as well organised and equipped as the majority of British are? I should like to know if the labour is efficient?

A. The only thing in which we are not on an equality with the British workshops is in the matter of climate, and it is very difficult to get men to work in the hotter places. The difficulty is getting more and more acute in the blacksmith shops, in the boiler shop, foundries, etc.

8805. *Q.* As regards quality of labour.

A. I think it has improved. The Indians are learning up.

8806. *Q.* If you teach one man, you can teach others?

A. You cannot get them. Many industrial concerns are springing up and the shortage of labour will be getting more acute day by day.

8807. *Q.* There is a scarcity of skilled labour?

A. Yes. During the last three years everybody has been more or less busy. During these times you could not get the labour required and we are very much behind hand in our work.

8808. *Mr. Rhodes.*—*Q.* You are getting a certain amount of Protection now from the duties?

A. In what way?

8809. *Q.* This suggestion of 11 per cent. has been made by the Metallurgical Association, and it is a question whether 11 per cent. would be good enough for you, or you would want 13½ per cent. on the finished article?

A. We should like it of course.

8810. *Q.* If we are going to tax the raw material 11 per cent., do you want more on the finished article?

A. Yes.

8811. *Q.* How much more would you want?

A. Very little, 2½ per cent.

8812. *Q.* Is the present 2½ per cent. duty for Protection or for revenue?

A. For revenue, I think.

8813. *President.*—*Q.* In answer to Mr. Mant, you said that if an 11 per cent. duty was essential on iron and steel, you would pass it on to the consumer?

A. Yes.

8814. *Q.* It would not affect your trade at all?

A. No.

8815. *Q.* So far as the trade represented by your Association is concerned, it would not be adversely affected. You would simply transfer the duty on to the consumer?

A. Any further taxation would kill the trade.

8816. *Q.* How would it kill the trade?

A. You would not get the orders. To put any more taxation on the raw material would mean that purchasers would go home and get the goods in with less taxation on the finished article.

8817. *Q.* Supposing a duty of 15 per cent., as Mr. Rhodes pointed out, was put on, then it would be all right? You would have something more than the amount of duty fixed on the raw material?

A. Yes.

8818. *Q.* In that case your trade would not be hurt?

A. No, if there is a corresponding duty put on the imported article, it would not affect us in any way.

Witness No. 60.

THE BRITISH COMMONWEALTH UNION, Westminster, London.

Written statement, dated the 3rd June 1921.

8819. The British Manufacturing Confectioners' Export Union, a list of whose members is appended, is anxious that the Government of India should re-consider its new tariff on confectionery and should replace confectionery among provisions.

Until March 1, 1916 the duty was 5 per cent. when it was raised to 7½ per cent. As from March 1 last, confectionery was singled out from among all other provisions, and 20 per cent. imposed.

It is submitted that this discrimination is unfair, as injuring one particular class of manufacturers, whose representatives in India are unorganised and unable effectively to make their opinions heard.

The Government of India is obviously obliged to obtain more revenue, and no doubt the 20 per cent. complained of was decided upon solely for this purpose, the idea being that confectionery is a luxury.

With all respect it is considered that this view is wrong. A small proportion of confectionery may be described as luxuries; but it is a physical impossibility for Indian manufacturers, with their resources and handicapped by climatic conditions, to manufacture.

The great mass of the confectionery manufactured and exported cannot possibly be described as luxuries; it has a high food value and meets unquestioned physical needs of all classes, but particularly of the poorer Indians at the season of the year when there are no mangoes and very little other edible fruit. It may be remarked incidentally that peppermint goods especially are used by the poorer classes in Sind and Rajputana during the cold weather to a very considerable extent.

It should be pointed out, assuming Protection were sought, though it is understood that is not the motive of the Government of India, that British manufacturers have to pay for the immensely increased cost of labour, the heavy freights and insurance, the peculiar packing needed for export—the goods being, moreover, specially wrapped in tinfoil and mostly sent in bottles and tins of a particular shape—so that the Indian manufacturer is amply protected. Confectionery does not pay merely on its sugar contents but *ad valorem*, that is on the cases, packing, etc.

The object of the new taxation, however, is to increase the revenues of India. It may be confidently stated that the means will defeat the end. British manufacturers have been put to considerable expense in manufacturing specially for India (for a tropical market has requirements entirely its own) in appointing agents to handle the goods, and in advertising them. This expense cannot be continued unless it is possible to sell the confectionery at a price sufficiently low to satisfy the demand of those with little money to spare, and, at the same time, to yield some profit.

The danger of a prohibitive tariff is illustrated by the experience of Spain, whose trade losses trebled, after it raised its tariff in November last, and so far as confectionery is concerned, the Spanish duties have been reduced by one-half as from May 21.

The 20 per cent. duty will inevitably kill the British export trade, and the revenue of the Government of India will suffer accordingly. It is urged, therefore, in the interests of all, that confectionery should be restored to its place among the goods subject to a duty of 11 per cent.

APPENDIX.

Appendix.—Members of the British Manufacturing Confectioners' Export Union.

Barratt and Company, Limited, London, Geo. Bassett and Company, Limited, Sheffield, Batgar and Company, Limited, London, T. W. Beach and Sons, Limited, Eveshal, John Buchanan and Brothers, Limited, Glasgow, Cadbury Brothers, Limited, Birmingham, Carsons Limited, Bristol and Glasgow, Champion Davies and Company, Limited, Bristol, H. Chappel and Company, Limited, London, Chivers and Sons, Limited, Histon, Clarke Nickolls and Coombs Limited, London, Crosse and Blackwell Limited, London, Jas. Epps and Company, Limited, London, Henry Faulder and Company, Limited, Stockport.

John Filshill Limited, Glasgow, J. S. Fry and Sons, Limited, Bristol. Fryer and Company (Nelson), Limited, Nelson, Fullers Limited, London, J. Gray and Company, Limited, Glasgow, Thos. Handisyde Limited, London, John Horn (Stockport), Limited, Stockport, Geo. W. Horner and Company, Limited, Chesterle Street, James Keiller and Son, Limited, London and Dundee, Lipton Limited, London, John Mackintosh Limited, Halifax, Mazawatte Tea Company, Limited, London, C. and E. Morton Limited, London, R. S. Murray and Company, Limited, Bristol, Needlers Limited, Hull, H. J. Packer and Company, Limited, Bristol, Jas. Pascall Limited, London, Geo. Payne and Company, Limited, London, E. and T. Pink, Limited, London, Henry Poppleton and Sons, Limited, Lincoln, Reeves Limited, Glasgow, Jas. Robertson and Sons (Preserve Manufacturers), Limited, Paisley, Rowntree and Company, Limited, York, E. Sharp and Sons, Limited, Maidstone, Slade and Bullock Limited, Dewsbury, Chas. Southwell and Company, Limited, London, Stewart and Young, Glasgow, Teasdale and Company, Limited, Carlisle, J. Terry and Sons, Limited, York, Watford Manufacturing Company, Limited, Watford, W. R. Wilkinson and Company, Pontefract.

Oral evidence of Mr. Frank Elmore, Calcutta, the 10th January 1922.

8820. *President.*—*Q.* Mr. Elmore, you represent the British Manufacturing Confectioners' Export Union?

A. It is so, Sir.

8821. *Q.* You are objecting to the raising of the import duties from 7½ to 20 per cent.?

A. We rather feel that we have been unfairly treated. We have been picked out as being a luxury trade which we consider we are not. During the war it was proved beyond doubt that confectionery was a food and had a great food value. We were, therefore, exempted from the luxury restrictions and were enabled to carry on during that period. We beg to put it before you that we should be treated on the same basis as other food products coming into this country which are rated at the 11 per cent. tariff.

8822. *Q.* Why do you say that confectionery should be classified as food and not as luxury?

A. If I may say so, it seems to me anomalous that an article like confectionery, which is eaten by all classes from the poorest to the well-to-do should be treated as a luxury, when so many other articles like tinned fruits and other things are coming into the country at 11 per cent. which we consider (rightly or wrongly) to be as much articles of luxury as are chocolate which is eaten probably by Europeans, and cheaper boiled-sweets which are eaten by the poorest classes in this country, and also such things as peppermints which in Rajputana and in Sind are even more largely eaten during the cold weather months. We would submit that to your consideration.

8823. *Q.* Your grievance, then, is that you are heavily taxed while other articles of a similar nature are taxed at a lower figure?

A. No. We are afraid, and with certain justification, that the heavy taxation will decrease the trade, and that what we quite understand has been imposed for revenue purposes will defeat its own end by bringing in a smaller quantity of such articles into the country.

8824. *Q.* You are then very solicitous for Government revenue, and you are anxious that revenue should not be decreased by this high tariff?

A. No. We are not philanthropists. We represent a very large number of decent working class people in England, men and women, who have been educated up to this trade and who have spent many years in creating the trade in this country, and were afraid, and very much afraid, that this imposition of a higher duty will militate against that trade, and will leave us with very considerably less trade to do. We are distinctly cognisant of the fact that, since the duty was imposed, our trade has decreased enormously.

8825. *Q.* There has been a general slump in all imports?

A. This is perfectly true. But I will put forward this. In Colombo a 20 per cent. duty was refused, and the duty there is under 7 per cent. to-day. It is either 6 or 6½. Our trade there is pretty well enormous despite the slump, and that is our justification for putting forward this plea.

8826. *Q.* Conditions in Ceylon and India may be different?

A. I think not. Ceylon passed through just as bad a time as India. The industries of Ceylon are tea and rubber, both of which went through as severe a crisis as any other industry.

8827. *Q.* Your contention that your imports represent food can hardly hold good. Food, as commonly understood, is a necessity of life, and your imports cannot claim that they are necessities of life?

A. We claim they are, absolutely.

8828. *Q.* That is to say, people cannot do without them?

A. I contend that children could not do without some form of such food. Sugar in the form of sweets is the best form for consumption. We consider it is absolutely necessary for child-life. Not only that. It was found in the trenches that the soldiers absolutely needed this.

8829. *Q.* We are considering not the consumption of a certain quantity of sugar, but a certain quantity of special confectionery which you import. Have you got any medical authority to show that the confectionery that you import into India is necessary, as a matter of fact?

A. I think we may take it that the same medical authorities that have said that it is necessary in England would uphold that it is necessary in this country for the same class of people.

8830. *Q.* In this form?

A. I am talking of a particular form, namely, chocolates and also boiled sweets which are the two articles which we are dealing with mainly at the present moment. As you are aware, during the war everything that was of the slightest luxurious nature was rigidly cut out by Government. This question was fought outright to the end by many who considered confectionery to be a luxury, and it was finally ruled by Government that it was a necessity of life, and therefore it was allowed to proceed.

8831. *Q.* By Goverment?

A. Yes. I mean by the British Government during the war.

8832. *Q.* You say, "A small proportion of the confectionery may be described as luxuries, but it is a physical impossibility for Indian manufacturers with their resources and handicapped by climatic conditions, to manufacture." Will you please explain that?

A. The only confectionery that is being manufactured in India to-day are certain boiled sweets which are manufactured in Madras and certain chocolates that are being manufactured in places like Calcutta, or simply made up from chocolates brought into the country for firms here in India. The only place that is actually making chocolate from the raw material is Ceylon, and there, as I just pointed out, the 20 per cent. duty was turned down and they have a duty of 6½ per cent.

8833. *Q.* Why do you say that it is not possible to manufacture these articles because of climatic and other conditions? Why should it not be possible? Are there any special reasons why these things could not be manufactured?

A. Simply because we find that, for the great majority of sweets and confectionery generally, a cold climate is essential. Even there in the hot days in August the chocolate factories will have to be closed down entirely. It is not worth while to make chocolates on hot afternoons and attempts hitherto made have been unsuccessful.

8834. *Q.* Then you don't think that in India there is sufficiently cold climate to permit of the manufacture of chocolates?

A. I have visited India very extensively, and I can say that all things are possible in India. But they are not possible at the present moment. That is my contention.

8835. *Q.* Why?

A. I don't want to weary the gentlemen here by going into details.

8836. *Q.* I don't want you to go into details. I only want a general reply.

A. During the war I was sent out by the War Office to India with a view to getting food supplies from India for the troops, and I had a unique opportunity of seeing conditions in India. If I may say so, all things are possible in India, but you must start from the beginning. Your raw products are producible and there are plenty of things that could be manufactured in this country. You have to start from those raw products. It is not merely starting a factory. The raw products should be procurable in sufficent quantities and there should be Railway and other facilities to bring them to the base. They should be brought under proper refrigerating conditions and in a proper form so that they may be taken to the factories from the rail heads. Until these things exist, nothing can actually be done of a successful nature.

8837. *Q.* You think that there are various technical difficulties in the way?

A. I think there are many difficulties. I think that a time will come, and it unquestionably must come, when India will do enormous things, but I do not think that the present is the time to do all those things.

8838. *Q.* Then you go on to say that the great mass of confectionery manufactured and exported cannot possibly be described as luxurious; it has a high food value and meets unquestioned physical needs of all classes, but particularly of the poorer Indians at the season of the year when there are no mangoes and very little edible fruit. Will you please explain what you mean by that?

A. In the bazaars in Karachi we find that sweets sell largely in the hot weather and in those seasons, when there is little food, children buy for a pice or two pice a certain quantity of sweets. They are consumed in incredibly big quantities, although each actual purchase is of the minutest proportion.

8839. *Q.* You think that they cannot do without them in the interests of their physical health?

A. They can do without them. But what I want to suggest or to put forward as a plea is that there are certain mutual interests (if I may put it that way). The British manufacturers have very great interests. We are scared that these will be interfered with. By bringing it forward we try to argue that we want your sympathy and to get a certain extent of assistance towards keeping up this trade. In no way do we wish to educate opinion, but we do say this, that it is of vital importance to us, and we hope that you will look at it in that way.

8840. *Q.* At the end of your memorandum you say that the 20 per cent. duty will inevitably kill the British export trade and that the revenue of the Government of India will suffer accordingly. It is urged, therefore, in the interests of all that confectionery should be restored to its place among the goods subject to a duty of 11 per cent. Do you think that a difference of 9 per cent. in the duty would have such effects as to hinder the industry?

A. It is a most remarkable thing in India. I find after an experience of well over 20 years that there is a certain point that you can go up to. If you go beyond, trade does not diminish in proportion. It stops. The people of India seem to have a certain amount that they can spend and will spend. Put it up above that, the trade does not come down proportionately. It drops.

8841. *Q.* You say the British trade will be killed. Do you entirely depend upon your export trade to India, or have you got other buyers in other countries?

A. Certainly, we have.

8842. *Q.* Why do you use the word "kill" in regard to the diminution of your export trade to India?

A. I mean this in reference to India and India only.

8843. *Q.* Can you tell me what percentage of your total manufactured goods, you export to India?

A. No. I could not say that.

8844. *Sir Edgar Holberton.*—*Q.* The present duty has been put on as a revenue measure and not from a fiscal point of view. As a revenue measure will the actual sum received by Government from the 20 per cent. duty be greater than the sum received from the 7½ per cent.? Or, will the

imports be so reduced as to make the actual sum collected less?

A. That is our fear.

8845. *Q.* Have you actual facts?

A. Actual facts at the present time would not be fair, because they would be very much in favour of my contention. As the President says, we have suffered from a slump, and therefore the figures to-day are rather out of proportion. They are very much reduced. I can give instances. For example, in the case of Colombo, where the trade has not been interfered with, we find that the demand is certainly very much better than in this country.

8846. *Q.* Was there not a slump in Ceylon?

A. Absolutely. That is why I make that point.

8847. *Q.* But you cannot give me actual figures. Have your imports diminished?

A. Very much indeed.

8848. *Q.* Has the tax affected largely the more expensive kinds of your imports or the cheaper ones?

A. The cheaper variety has been the one that is almost completely cut out. The more expensive ones have not been cut out so much. They are being shown very largely in the shops of the retailers here in this country. They are being left with stocks which people are not taking because they are too expensive to buy.

8849. *Q.* With regard to these sweets to which you refer as being used in Rajputana and Sind, what is the price of a bottle of these?

A. The present price of these from England is Rs. 73-9-0 per case of sixteen 7-lb. tins. (It would be somewhat cheaper now, since prices have gone down.) It comes to Rs. 4-10-0 per tin of 7 lbs.

8850. *Q.* What were you selling it at before?

A. The price of that would have been nearly half. I am talking of normal times.

8851. *Q.* I am talking of shipments before this 20 per cent. was imposed.

A. That I cannot say.

8852. *Q.* Why I ask you is this. Do you find it necessary to put the whole of this 20 per cent. on the consumer, or could you bear part of it yourself?

A. We are bearing all that it is possible to bear. We are keen on doing this business as far as it is possible, and, with that object, we are bearing a fair amount of the duty. I may mention the fact that Madras sweets cost, coming by rail to Bombay, Rs. 71 per case.

8853. *Q.* Then there is a competitive industry in India in that line?

A. Yes. There is, certainly.

8854. *Q.* In the hard boiled sweets?

A. In the boiled sweets.

8855. *Q.* If you bear a portion of the difference between $7\frac{1}{2}$ and 20 per cent., the consumer has to bear some portion of it. The actual price to the consumer of these sweets is not very much enhanced?

A. You say. "If you bear a portion of it." The retailer does not bear anything.

8856. *Q.* He does not bear anything?

A. No. The retail distribution of food stuffs in this country is being done on such a very small margin that this is always passed on to the consumer, and it is always the case that the effect of any duty like this is that it is eventually passed on to the consumer.

8857. *Q.* The point really is that you think that the Government of India's exchequer will not benefit by this duty?

A. We honestly think that if the exchequer of India will allow us to go on under the same tariff as other allied trades, it would be to the benefit of all concerned, and that is why I am here this morning.

8858. *Mr. Narottam Morarji.*—*Q.* How many factories are there in India for making such things as chocolates?

A. I know of no factory.

8859. *Q.* I think there is one in Guzrat. In Balsar they make chocolates.

A. Yes. I think there is one chocolate factory in Balsar.

8860. *Q.* Supposing the price of sugar goes high, will not the consumption be rather reduced owing to the dearness of sugar?

A. Yes.

8861. *Q.* During the war, and after the war, the price of sugar was high. Did not that tend to reduce this consumption?

A. During the war we were practically wiped out of the market on account of the high prices.

8862. *Q.* Has the duty reduced the consumption of your goods? Or, is the reduction due to the high price of sugar?

A. Of course it is all combined. Naturally the only point that matters to the man who consumes is the price he has got to pay. If it is a case of the price of sugar or something else, it is all the same to him. It is beyond his reach.

8863. *Q.* Then the price of sugar has something to do with the reduction in the consumption of your goods?

A. Yes. But unfortunately as regards the price of sugar, we have no control.

8864. *Sir Montagu Webb.*—*Q.* Mr. Elmore, I understand from your written evidence that you make two points. One is that the 20 per cent. duty that has interfered with your trade, is high compared with that charged on other articles of food. The other is that it is so high as to defeat itself and will check trade.

A. Yes.

8865. *Q.* You know of course that this Commission is considering the question of tariffs generally with the idea of encouraging industries in this country, rather than in any other country?

A. We must recognise that.

8866. *Q.* Your opinion is that regarding the matter merely from the revenue point of view, the 20 per cent. duty will defeat itself by checking trade?

A. That is my honest opinion.

8867. *Mr. Coyajee.*—*Q.* You say that, on account of the heavy duty, imports of confectionery and chocolates have fallen very largely?

A. Yes.

8868. *Q.* You think that the high price of sugar is one cause assisting the reduction of imports?

A. I think that it always must be.

8869. *Q.* Was the price of sugar higher in 1919 and 1920 than in 1921?

A. It was higher than in 1921.

8870. *Q.* Coming to certain figures, in 1920 I find that 29 lakhs worth of confectionery were imported in the 8 months from the 1st of April up to November. In 1921 we find that only 9 lakhs worth were imported. Does it not show that the main factor is the duty and not the price of sugar? That is to say, the duty has been the main cause of preventing imports, the price of sugar has fallen. Is it not so?

A. Yes.

8871. *Q.* Therefore in 1921, you would expect the largest imports. Instead of that the import is one-third of what it was. Does it not show that it is the duty which has reduced the imports?

A. Will you give me at the same time the rate of exchange during that period?

8872. *Q.* So both these figures are ambiguous?

A. Quite. But what was the anticipated exchange when those men ordered that stuff? We are suffering from 1920 to this day, and there is a lot of that stuff which would never fetch half the value. During the war we practically had no imports. Then it came with a rush: the dealers expected higher exchange, and consequently cheaper prices and they were bitterly disappointed.

8873. *Q.* What I point out is: the duty was raised 3 times and the revenue has fallen more than three times.

A. I think I pointed it out, but to take that figure as a basis is unfair: it is altogether too much in favour of my contention.

8874. *Q.* You said you were interested mainly in chocolate and cocoa?

A. No, I am interested in all kinds of confectionery.

8875. *Q.* Now, in the case of cocoa and chocolates, there also has been a reduction of revenue, in the same period, from 10 lakhs to $2\frac{3}{4}$ lakhs. Do you think that that substantiates your contention that, as a revenue measure, the duty has not been successful?

A. I think it would be altogether unfair to put the present position in those figures solely to the raising of the duty, but we are afraid, and I think with justification, that the raising of this duty will have the result of reducing the revenue.

8876. *Mr. Rhodes.*—*Q.* Do you know what the present duty on raw sugar imported into India is?

A. 15 per cent.

8877. *Q.* Do you know that owing to tariff valuations, it is actually 30 per cent. ?

A. No.

8878. *Q.* Still, it is a fact in common knowledge that it is working out at 30 per cent. in to-day's value.

A. Might I ask how it is ?

8879. *Q.* Because the tariff valuation fixed for the year is double the value of the sugar imported.

A. But is that likely to continue ?

8880. *Q.* For the year.

A. For the year, but beyond that ?

8881. *Q.* It would then probably be reduced to 15 per cent. If I start a sweetmeat factory in Calcutta, are you not going to have an advantage of 10 per cent. over me in starting this local industry in working imported sugar ?

A. We have to take the future. I would not argue on the basis of this 30 per cent., because you admit that it is passing and you won't have your factory in Calcutta this year. You will pay on sugar and sugar alone 15 per cent. Everything that you pay will be on sugar.

8882. *Q.* Not necessarily.

A. What I point out is this. Whether it is 20 per cent. or 11 per cent., about 33⅓ per cent. of whatever we have to pay in duty is paid on packing, on the receptacles, on the labour, and on all those things which go to make up the actual article as it comes to this country.

8883. *Q.* But, I am anticipating on the evidence we have had, that I shall have to pay 15 per cent. or 20 per cent. or 30 per cent. on all those packing materials imported into my factory in Calcutta. All these articles will also have to be imported, and duty will have to be paid on them and not only on raw sugar.

A. What will you be importing for the factory ?

8884. *Q.* Presumably, to start with, machinery, then tin plates, tin cans, and that sort of thing. What I am suggesting is, if your duty is to go down to 11 per cent. it will be actually protecting the English manufacturer against the Indian manufacturer ?

A. Of course I am arguing all along, and I certainly understood it to be so, that the duty was a revenue duty, and not a protective one.

8885. *Q.* But we are considering here how we can benefit Indian trade at the present moment. That is what we are enquiring into.

A. But, we are already victimised, if I may put it in that way, before it has actually been necessary. If you start your industry and say we do not want you, it will be all right, but you are victimising us before that.

8886. *Q.* We are having what we may call pre-natal Protection ?

A. Yes.

8887. *Q.* Let us take another side of the question. I see amongst your men very big manufacturers at home. Supposing the effect of this duty is absolutely to kill the trade, will your manufacturers take that lying down, or will they, as the large engineering firms at home have done too, come and start their manufactures here ?

A. Well, I do not think there is much question about that. Certainly, we shall not take it lying down.

8888. *Q.* Then the loss of this revenue to Government may have a compensating advantage in the starting of new industries in the country ?

A. But, if I may argue in a somewhat broader sense, I am rather arguing at the present moment for the workers of Great Britain. The world is a cosmos and we have got to work and help one another. Is it policy, is it well that the whole thing should be thrown out of gear, as unquestionably these things would throw out of gear, the feeling, the sentiment and in every way the smooth working of the Empire ? This is going into the regions of politics, and I do not want to do that. But I do ask and I do talk and speak for the workers of Great Britain.

8889. *Q.* I understand that and every Indian and every Englishman sympathises with that point of view, but at the same time India claims, and has every right to claim, to regulate her own tariff ?

A. I do not want anything that I have said to be taken that I am opposed to that claim.

8890. *Mr. Mant.*—*Q.* I gather from your remarks that there is very little competition in India in the kind of confectionery that you make ?

A. There is a very considerable competition, but it is a competition that can in no way fill the requirements of India.

8891. *Q.* That is what I am coming to. I want to ask you whether there are a large number of indigenous sweets that really compete with your imports ?

A. Yes, the bazar-made sweets. The only thing is that we bring to this country a form of confectionery that is more easily carried about than the sweets made here. I mean that a man who buys confectionery made in the bazars in Calcutta cannot carry it with the same ease as he can carry boiled sweets in a parcel. But in a place like Calcutta, I have not the slightest doubt that the Indian prefers the bazar-made confectionery.

8892. *Q.* You were arguing that these sweets are necessary for the health of the children. Do you think that that necessity can be met by the bazar-made sweets ? Would bazar sweets not meet the needs of the children ?

A. I am talking very largely not of the trade of Calcutta. Calcutta is absolutely self-supporting in every way. Whatever comes into Calcutta would be a luxury. But I am talking of the jungles, and of the districts. I am talking of the man who is not here and who has got to take the things out of a tin or a box.

8893. *Q.* We are considering here the masses of the population, and you say they consume your confectionery. I wanted to get at whether your article is any advantage to them as compared with the bazar sweets ?

A. I think if he could get the bazar-made sweets with the same case as he can get ours in the jungles and in the districts, he would prefer it, but he cannot. It is in the districts and in the jungles that the biggest consumption of our sweets takes place.

8894. *Q.* Are there not bazars in the districts where these bazar sweets are sold ?

A. I do not know sufficient about the districts. I only say that our sweets do go into all corners.

8895. *Q.* Your point is that your sweets are more easily transportable ?

A. Yes. And also here in a place like Calcutta, you have got a very large Anglo-Indian community who are not well to do, but whose children do depend very largely on this sort of things.

8896. *Q.* There is only one other point. Mr. Rhodes referred to the duty on sugar, and I understand that you maintain your position that the duty on your manufacture —confectionery—should be lower than the duty on raw sugar from which it is made ?

A. No. If we paid 15 or 20 per cent. on the actual sugar in our confectionery, it would make a very large difference in the actual duty paid on the article when it arrived in this country.

8897. *Q.* Sugar is the main material for your sweets ?

A. I pointed out that 33⅓ per cent. of what we have to pay duty on, is not sugar. Apart from the sugar, you have to take the cost of the higher wages which we have to pay at home, the higher railway transport charges and all that. On all these we have to pay 20 per cent. duty.

8898. *Q.* As a matter of general principle, can you justify the levying of a higher duty on the raw material than on the finished product ? You know all countries try to levy lower duties on the raw material than on the finished products, but you want a lower duty on the finished product than on the raw material ?

A. No, Sir, I am not asking you that, because I said if we could pay a 15 per cent. duty on the actual raw sugar which was in the confectionery when it came to this country, I would not object, but we are asked to pay 20 per cent. on all the other articles which go to make it up. Raw sugar, when it comes to this country, pays the duty on the actual sugar only,—no packing, it comes as it is.

8899. *Q.* You say you are prepared to pay 15 per cent. on the actual sugar ?

A. Yes, absolutely.

8900. *Q.* But how can you say how much sugar there is ?

A. It is an impossibility.

8901. *Sir Maneckjee Dadabhoi.*—*Q.* How will it be possible to make out the actual sugar ?

A. It would be impossible, and it would be utterly unfair to expect them to do it, and therefore we ask that we should be allowed to go on the basis of the generat 11 per cent. It would be the easiest way to work out land we feel it would be best in the interests of all.

8902. *Q.* I suppose what you mean is that indirectly this 11 per cent. will work out to something like 15 per cent. ?

A. It would work out very very much more than the 15 per cent. on actual sugar.

8903. *Q.* Now, what is the bulk of the confectionery that you export to India ?

A. The biggest in bulk—not in value—is in boiled sweets. This is practically consumed by the poorer classes.

9904. *Q.* And you also export biscuits ?

A. I am also a representative, an attorney here, for Messrs. Huntley and Palmers and Crosse and Blackwell

8905. *Q.* These are the people who are mentioned in the appendix ?

A. No. Those mentioned in the appendix are confectioners. They cabled to me and asked me to represent them, and among them you will find the name of Messrs. Crosse and Blackwell.

8906. *Q.* They are also biscuit makers ?

A. No.

8907. *Q.* I understand your point to be of a two-fold character. You base your contention on the ground that the confectionery manufactured in India is used by Indians and that it is a necessity for them ?

A. It is used largely by Indians and by the poorer classes of the Anglo-Indian community in cities like Calcutta and Bombay.

8908. *Q.* I can understand your statement that it is used by the Anglo-Indian community, but I am a little surprised to hear that it has a high food value and "meets the unquestioned physical needs of all classes, but particularly of the poorer Indians." I do not think that that statement is correct. Will you substantiate that statement ?

A. I have given you instances where especially strong peppermints go into Rajputana and are consumed there during the cold weather. As we all know peppermint is a very useful thing in times of trouble for the digestive organs. It has a very large trade.

8909. *Q.* And you depend on Rajputana only for the trade ?

A. And on the Frontier. I give these only as the biggest centres.

8910. *Q.* You stated very strongly that the present is not the time to start these factories in India, and that they must start factories for the raw material.

A. That is purely my own opinion, but I do not pretend to be an expert on it.

8911. *Q.* Then a beginning must be made in this country at some time or other ?

A. It has got to come.

8912. *Q.* Don't you think that this is the proper time to begin it ?

A. Personally, no.

8913. *Q.* Why ?

A. Why penalise the people of India until such time as they can get an article which will supply their need at practically or nearly the same price they have got to pay for the foreign one.

8914. *Q.* Where does the penalising come, if India can manufacture the article ?

A. I say penalising in this way ; that until you have got an article to take the place of this, why take it out of the reach of the people who want it? When India can supply the article that will take its place, then is the time to think of protecting it.

8915. *Q.* But will not the 20 per cent. duty compel India to start factories more largely ? This duty will give an impetus to start the industry ?

A. Then, Sir, we are not talking about tariff.

8916. *Q.* We have to enquire into the whole question also from the point of view of the development of Indian industries. We want to gather information from all points of view, not from the point of view which affects you people at home. It may be very sound from your point of view, but it cannot be sound from the Indian point of view. So, you admit that this duty at any rate, has the effect of encouraging the starting of factories in India for the manufacture of confectionery ?

A. I do not think it is big enough for that specific purpose.

8917. *Q.* Why not ?

A. I gave the instance of sweets made in India which were put at Bombay at Rs. 71 per case of 16 tins. Our price for the same quantity is Rs. 73-9-0. That makes a difference of Rs. 2-9-0. That is the difference between the Indian made article and the article which has to pay a 20 per cent. duty at the present time. Unquestionably, prices will be cut down in England, and we shall be cheaper than Rs. 73-9-0. We are working, for all we know, to get below that; that is our constant aim.

8918. *Q.* You said that if this 20 per cent. duty hurts your trade, you will not take it lying down. In that case you will start factories in the country ? That would be beneficial to India ; there will be employment for labour, etc. ?

A. I agree with that. There is no doubt about it, but at the present moment, I am here with a plea for the British working men and particularly the men and women employed in the confectionery factories of Great Britain.

8919. *Q.* Don't you think that the plea of the Indian workmen is much stronger for India at the present juncture than the plea of the English workmen ?

A. I think that it is necessary to look at this question in a very much broader way than the suddenly putting on of a tariff which will throw out of gear a whole organisation. There is not the slightest doubt that everybody, every British manufacturer, is in sympathy with India and is only too willing to help as he can, but the interests of all, to my mind,—in my humble opinion—will not be best served by suddenly putting on a tariff without any previous notice. If these things could be discussed and our point of view and your point of view could be put forward I think it would be much better for all concerned than these sudden jumps, this sudden disorganisation, which would make many countless people suffer in consequence.

8920. *President.*—You say that these sudden jumps in tariff rates bring about disorganisation and throws the industry out of gear. This is your grievance ?

A. Yes.

8921. *Q.* Your figures are very interesting. You say that in Bombay the Madras manufacturers put down their sweets at Rs. 71, while your price is Rs. 73-9-0. This Rs. 73-9-0 includes the 20 per cent. duty, I suppose ?

A. Yes.

8922. *Q.* You are now trying to cut your prices down, so as to compete with the Madras sweets on an equal footing ?

A. It is the natural trend of all British manufacturers, as soon as raw materials go down in price, as soon as working expenses go down, to give the benefit to the consumer.

8923. *Q.* I know that, but here we are concerned with the Bombay market of which you gave figures. You have now roughly to sell your article at about 4 per cent. higher on account of this duty, and you are trying to work out in such a way as to be able to reduce your prices to the same level as the Madras manufactured article. That means that in spite of the 20 per cent. duty, you can land your stuff in Bombay at practically the same rates as the Madras manufacturers. Then I wonder where your grievance comes in ?

A. I have said that the duty threw out of gear the trade.

8924. *Q.* That is inevitable. This 20 per cent. duty has been levied only about 8 or 9 months, and, during that period, you expect to reduce your price to such an extent as to be able to compete with the local manufacturers. So, I infer that this heavy fluctuation in the tariff rate has not brought about any difficulties to your industry. In 8 or 9 months you have practically been able to overcome those difficulties ?

A. No, Sir. I am afraid you are more optimistic than I am.

8925. *Q.* That is what your figures indicate.

A. If we could put our price below Rs. 73-9-0, our trade would be bigger. The nearer we can get to the pre-war level, the more trade we shall be able to do. India will take more as the prices go nearer to her level. Over and above that, you have the distributers of the confectionery. They are not a wealthy class ; they are generally the smaller dealers who trade on very small profits. The duty militates against the quantity that they are going to order. It all makes difficulties and retards trade.

8926. *Q.* You do not follow my point. An importer in Bombay has to provide money for his imports from Madras at the rate of Rs. 71 ?

A. Yes.

8927. *Q.* For his imports from Great Britain, he has to provide Rs. 73-9-0, at present, and 20 per cent. duty will be about Rs. 15.

A. Yes.

8928. *Q.* Now that means that he will have, so far as capital requirements are concerned, to provide Rs. 73-9-0, Rs. 59-8-0 to the importer and Rs. 15 to the customer ?

A. Yes.

8929. *Q.* So that, in the end, he has only to provide Rs. 2-9-0 ?

A. I want to make this point clear. Before he gets Rs. 73-9-0, he has to pay a duty of Rs. 15 before he gets the goods. As regards the stuff from Madras, he has probably sold half of it before he pays an anna.

8930. *Q.* He has not delivered it and therefore he has not got the sale-proceeds of it ?

A. In many cases he has.

8931. *Q.* He gets paid without delivering the goods ?

A. He pays Rs. 71 after he has probably sold half the consignment.

8932. *Q.* That is to say, he gets delivery without paying ?

A. Yes. It is a matter of trade arrangement and it is possible, and it would be possible!

Witness No. 61.

Mr. A. H. Lloyd, I.C.S., Collector of Customs, Calcutta.

Written evidence dated the 18th November 1921.

8933. *Q.* 2. Both forms are desirable. The Customs tariff has the advantage of ease and certainty of collection and is much less difficult to evade. It also throws a far wider net than direct taxation can.

8934. *Q.* 3. The list is practically universal, and I would leave it so. The question of rate depends upon the requirements of the revenue, but I consider that a general tariff of 10 per cent. is about the maximum that can be passed as essentially a revenue tariff; any higher taxes should be on carefully selected articles, which are either (*a*) capable of bearing a corresponding excise (like salt and liquor) or (*b*) not in effective competition to an appreciable extent with any goods of Indian production or manufacture (such as motor cars).

8935. *Q.* 4. (*a*) The present tariff includes *ad valorem* rates up to 75 per cent. In my opinion, the *ad valorem* method becomes unsound when duties are much higher than 5 to 10 per cent. With higher rates the assessment of "real value" becomes a matter of practical difficulty. Our present definition of "real value" is under section 30 of the Sea Customs Act based on the current local wholesale value, if ascertainable, and otherwise on landed cost. With duties of 11% or more, the objections to the local market value basis are strong; firstly, on account of the importer, because he can never, in doing forward business, calculate ahead what the duty will be when the goods arrive and also has difficulty in some cases in ascertaining current local rates when that time comes; and secondly, on account of the Customs Department, because the task of assessing the local market value throws too difficult a task and too heavy a responsibility upon the Appraisers. They must inevitably depend to some extent upon the brokers or dealers from whom they make enquiries and there is always a danger lest such informants be influenced in the interests of particular importers to give incorrect information as regards the value of samples shown them. Again, when disputes arise, it is very difficult to obtain evidence of deliberate misdeclaration and the Customs Department may be driven to use its power of taking over the goods at the value declared by the importer and selling them. This arrangement can be unfair to importers who honestly disagree with the Appraisers' estimate of value but are obliged to submit rather than lose possession of goods which they have committed themselves by a forward contract to supply. It can also be unfair to the Customs Department when conditions are such as to leave little hope of realising by a Customs sale anything like a fair market value; it is believed that in smaller ports at least, powerful merchants are frequently able to bring about such a condition. But if this basis of valuation is given up, the alternative is to base the value upon the foreign selling price *plus* freight and charges. This is the more general system in other countries with a general tariff. The drawbacks are obvious. In the absence of a consular service we cannot obtain accurate information as to current selling rates at the time of shipment. We should therefore be obliged to rely ordinarily upon invoices. Not only would this mean that identical goods arriving at the same time might pay very different amounts of duty, because they had been ordered at different rates and therefore the invoice prices differed; but also the opportunities for fraud, if the Customs Department has to rely solely upon invoices, are great. Here again the absence of a consular service to certify invoices would be felt. For these reasons it is, in my opinion, desirable that a fairly high level of duties having been reached, they would be as far as possible specific duties. An alternative is a very great extension of the tariff valuation system, which has the same effect as specific duties except that the duties payable are not finally settled by the legislature. The tariff value or specific duty system is open to criticism on the ground that it does not discriminate enough between goods of the same kind but different quality. This objection is, however, in my opinion, far outweighed by the advantages the system offers both to the Customs Department and to the public, who will generally be in a position to know the precise figure of the duty which will be payable upon the goods when they are making their forward arrangements. In this connection I may quote the opinion of the Committee of the Bengal Chamber of Commerce:—"They (the Committee) are opposed to the principle of attempting to ascertain what the section calls 'real value.' They believe that the best solution of the difficulty would be to extend the list of goods in respect of which tariff valuations are fixed. The application of general *ad valorem* duties to goods for which tariff valuations are fixed works smoothly. It is only in respect of those goods the 'real value' of which has to be ascertained that serious difficulties arise. And these difficulties may be expected to multiply in the future, seeing that the duties are now levied at a high rate, and that there is a tendency to enhance them" (Progs. for May 1921).

It should be possible to draw up a tariff which would prescribe specific duties or tariff values for almost all articles which are sold by weight or measurement, although there will be an inevitable residue of such articles sold by the unit as machinery, or on a smaller scale, motor cars and ladies' dresses when the range of value for any unit may be exceedingly wide. Of the principal items imported into Calcutta, the following are to a great extent assessed already on tariff values or specific duties as metals, sugar, kerosene oil, salt, liquors and chemicals, representing about 26 per cent. of the value of the trade of 1920-21. In my opinion it should be possible to extend the specific duty or tariff value system to most varieties of cotton goods, paper and paste-board, provisions, rubber goods, cigars and cigarettes, cement and woollen goods which with minor items will represent an additional 40 per cent. of the trade, leaving for *ad valorem* assessment less than 35 per cent. The backbone of the problem would be broken by assigning tariff values or specific duties to cotton piece goods (31 per cent.). Analogies for these are already available in the tariffs of Italy and Spain which assess by weight after dividing materials into several categories according to the fineness of the yarns used and to the proportion of weight to square measurement. The United States of America also assess by weight after a simpler division according to fineness. It may be observed that tariff values are already prescribed for the excise duties on cotton goods of Indian manufacture. The advantage of a tariff value basis over specific duties would be that it would enable the legislature to lay down a general rate to be applied uniformly to most classes of goods, as at present, though such uniformity would be only approximate.

(*b*) Further, I consider that all exceptions to a general rate should be as explicitly defined as possible. Customs authorities have always had considerable difficulty with such item as "machinery," the meaning of which is not very clearly defined. If there was a general rate for hardware, machinery, and electrical instruments from which only specific items which could not conceivably be classed as machinery such as domestic hardware, and electric lights were excluded by name, infinite trouble to importers and to the Customs Department would be saved, and for this advantage, I believe, importers would agree to such an all-round rate being on a rather higher level than the $2\frac{1}{2}$ per cent. rate at present in vogue for machinery as defined by the present tariff.

(*c*) One existing principle, which is adhered to as closely as possible, namely, that duty should be so framed as to be assessed upon the article itself without reference to the intentions of the importers should, in my opinion, be retained.

8936. *Q.* 5. The existing tariff policy appears to have had the effect of mildy fostering the development of industries for which the country has natural advantages without developing local industries for which the country has not such advantages in the way of efficient labour, ready supply of raw materials or both. A continuation of the policy would probably act in the same way, allowing the development of new industries to wait upon the advancement of Indian labour in efficiency and regularity of

service. It appears likely that if the present policy is continued, a number of new industries started behind the very effective "Protection" of war time conditions will experience difficulty in establishing themselves in the face of overseas competition.

8937. *Q.* 6. With a revenue tariff, in theory, yes; in practice this may be confined to the case of higher duties and where there is effective competition, reaching important dimensions, of goods of Indian production or manufacture.

8938. *Q.* 7. Yes; but I would prefer to state my objection as being on the ground that a tariff on imports, tends to raise the price of both the foreign and the home product, and is, therefore, tantamount to imposing a tax on the consumer of both, a tax which, instead of all going to the coffers of the State, would be divided between the State and the Indian manufacturer. This would be incompatible with the revenue tariff policy predicated by the question.

8939. *Q.* 8. Excise duties, if imposed correctly on the principle stated in the answer to Question No. 6, should not appreciably raise the price to the consumer which will in any event be conditioned by the price of competing goods which had paid Customs duty.

8940. *Q.* 18. Yes. This has happened in other protectionist countries. My attitude would be one of neutrality.

8941. *Q.* 19. Yes. Its operation in India would be limited because many raw materials are produced in India so cheaply as not to be in competition with foreign articles, and are also the produce of agricultural industry which is likely to have a dispropertionately small influence when tariffs are being framed, not being organised like other industries. But the cases of cotton yarn and pig iron occur to me as likely rocks of offence. Such conflicts would be very difficult to adjust.

8942. *Q.* 20. Ordinarily, the whole of the import duty is passed on to the consumer and usually a fraction more to cover the interest on the extra cost disbursed by the merchant and to compensate for the greater financial risk incurred on taking goods into stock.

8943. *Q.* 21. I submit that this question is unanswerable in view of the numerous other elements that affect prices including world or local demand also exchange and currency policy; but other things being equal the answer would be yes. Other things cannot ever "be equal" however.

8944. *Q.* 24. (*a*) Yes, quite soon and wholly, as the numbers are limited.

(*b*) Only partially and very slowly, or not at all.

(*c*) Partially, as is illustrated by the history of these classes since the great rise in prices resulting from the war.

8945. *Q.* 25. The restriction of imports would tend to raise the exchange value of the rupee, which, by raising the price of India's production in terms of foreign currency, would ultimately have an adverse effect on exports; and thus the foreign trade of India would cease to expand so rapidly as hitherto.

8946. *Q.* 31. Export duties generally hamper the exporter in competition with other markets. The exception is a tax on a monopoly trade, the classic illustration of which is jute. There are probably no other important industries in the same position as jute. And care must be taken not to make the jute tax so high as to render the competition of other fabrics effective.

8947. *Q.* 35. No. If we have a revenue tariff it would be out of place; for if we abstain from protecting our own industries, it would be inconsistent to protect those of other countries. Since 69 per cent. of our imports are from the Empire (1920-21 Calcutta figures), any but a very small preference would stultify a protectionist policy, if adopted.

8948. *Q.* 40. Yes, if the foreign goods would otherwise have been in effective competition with the British goods. But most of the chief foreign items (such as sugar) are not in such competition.

8949. *Q.* 41 and 42. I regret I am unable to offer an opinion on these points without first knowing the rates of duty and the proportion of preference proposed.

8950. Supplementary statement dated the 6th January 1922.

I should like to be permitted to illustrate the meaning of paragraph 4 (*c*) of my original evidence. What I had chiefly in mind in writing that passage was to point out the difficulties from the administrative point of view of granting exemptions or reduced rates of duty to manufacturers in India in respect of their importations, either of plant and mill stores or of raw materials, in those cases where the articles concerned are such as are imported into India for other purposes also. For an example I cannot do better than take the case of the Hooghly Ink Company on behalf of which evidence has been recently offered to the Commission. This firm imports raw materials on which it pays 11 per cent. duty in order to make a manufactured article which competes with a foreign product that is admitted under a 2½ per cent. duty. The firm have, in my opinion, taken the right line in suggesting that the existing exemption from the ordinary rate of duty of foreign printing ink should be examined (although this might lead in due course to an examination of the exemption of imported printed books). But the firm might have asked that their raw materials should be admitted at 2½ per cent., and firms in similar situations have made such proposals. Now, it may be that imports of lamp black for other purposes are inconsiderable, so that all lamp black could be admitted to the favourable rate; but in the case of the other ingredients, refined linseed oil and rosin, the exemption would have to be special to the factory, which would mean the establishment of Customs supervision over stocks and consumption in the factory. If this difficulty has arisen with a revenue tariff, it is easy to see that if any sort of a protectionist policy is adopted, similar claims could be made for all industries; and, in the case of those mill-stores or raw materials which are adapted for other purposes as well, the task of supervision over consumption by the Customs Department would be a prodigious one, involving heavy expenditure to the State. It is true that, within limits, a system of this sort was for a number of years in force with the cotton industry but its operation was found very troublesome, as I was told at Bombay. And this was a special concession to one industry allowed in consideration of the excise duty on its products and was therefore one which could be denied to all other industries. As I have said, it is my opinion that the proper way to meet difficulties of this sort is by a rigorous restriction of exemptions from duty of imported articles which compete with Indian-made articles.

This brings me to the general exemption which is granted to goods imported by Government. In the case of heavy duties this exemption may tend to deprive local suppliers of the degree of Protection which the present tariff affords. However strictly the Stores rules may prescribe that, in comparing prices of foreign with Indian goods, the import duty should be taken into account, there will always be a tendency for spending departments to overlook this rule unless they have actually to disburse the import duty if they choose the imported article. The abolition of the exemption might be regarded as hard upon Provincial Governments, but this could be met by giving periodical refunds of such duty actually collected to the Governments concerned to be treated as part of their revenue and not in reduction of the expenditure of the particular departments.

Oral Evidence, Calcutta, the 10th January 1922.

8951. *President*—*Q.* You are the Collector of Customs, Calcutta, Mr. Lloyd?

A. Yes.

8952. *Q.* You say you would advocate specific duties and you have dealt with the various objections that are usually raised against that form of import duties, *viz.*, that it does not adequately provide for difference of quality and therefore of value in the same article.

A. That is so.

8953. *Q.* You say that the specific duty system is open to criticism but you still think that this system is the lesser of the two evils?

A. That is so.

8954. *Q.* Supposing a policy of Protection was adopted, how would this system work? You have assumed the continuance of the present system of revenue tariffs?

A. Yes.

8955. *Q.* Assuming for argument's sake that the Government of India alter their fiscal policy and adopt Protection as the basic principle of their import duties, how would the tariff valuation or specific duty system work in that case?

A. I think it would work very well.

8956. *Q.* Let us take tariff valuation first and then specific duty. Under tariff valuation, sugar has now got to pay 30 per cent. while the duty is 15 per cent.

A. I want to explain that. The ordinary policy of Government, so far as I have been able to see it, is to base the tariff valuations upon considerations both of current rates and the market prospects, the object being as far as possible to fix a tariff valuation, which will not be grossly discrepant from the real value during the period for which the tariff valuation is fixed. The case of sugar is an entirely special one. Some 10 years ago, on strong representations from certain Chambers of Commerce, the Government of India agreed, in the case of sugar, to have a fixed rule by which the tariff valuation for each calendar year should be based upon the average values of sugar for the 12 months ending with the preceding September. The object of the Chambers of Commerce in asking for that was a very obvious one, the one I have elaborated myself. They wanted to know where they would stand in their forward business. I do not know if anybody here has noticed that every month for many years past in the "Gazette of India," there has been appended a note by the Director-General of Commercial Intelligence in which he quotes the Custom House monthly values for sugar and the total importations in the month in order to facilitate calculation ahead of what the next year's tariff valuation is to be. That policy, so far as I have been able to see, has not been adopted for any other commodity at all. It is a policy, which, if you have a protectionist system, might certainly very reasonably be adopted generally, because it would have the effect that when a foreign article is falling heavily in price, by working on the previous year's values, you avoid the result which would happen with an *ad valorem* system, that the competing foreign article would also come, not only at a cheaper price but at a lower duty. It is a very good illustration. Looking at it from the point of view of Protection, had we a real value assessment, we would have to face competition of foreign sugar in India, very much cheaper in itself, but also paying a duty very much less than that which it paid last year. It is by a coincidence only and not by design that this effect has been avoided to some extent, in the case of sugar.

8957. *Q.* But if after careful investigation by experts, a duty which is regarded as adequate for the purpose of protecting a particular industry is fixed upon, and say it worked out to 10 per cent. under this system, it might vary between 20 per cent. and 5 per cent. How will it affect the manufacturers who have based their calculations on the basis of Protection of 10 per cent. accorded to them on current values?

A. But he does not know what the value of the foreign article is going to be. He bases the calculation on the percentage of an unknown quantity. That would not help him very much. He says 'I want protection of 10 per cent. on an entirely unknown quantity.' In the case of sugar, the sugar maker last year might have said that he wanted 15 per cent. Protection. He would have been thinking of current valuation. He did not know that the real value was going to be less than half of that.

8958. *Q.* The fluctuations in the finished article would depend to a very large extent upon the fluctuations in the cost of raw materials?

A. Certainly.

8959. *Q.* Supposing sugarcane was selling at considerably higher rates when sugar was selling at a higher price, and when the price of sugar is low, there is a corresponding reduction in the value of the raw material. Sugar is manufactured in India out of cane and *gur* and the fall in the value of sugar will be followed by a fall in the cost of the raw material?

A. I do not think you could say that, because sugarcane and *gur* are not imported into India.

8960. *Q.* I want you to consider the question of Government deciding upon a policy of Protection and giving 10, 15 or 20 per cent. Protection to the manufacturer of sugar in India. Would their calculations stand or be vitiated by basing the extent of Protection on tariff valuation under which it may go up or go down according to the subsequent fluctuations in the market value of imported goods?

A. I have tried to indicate that in my opinion any policy which gives 10, 15 or 20 per cent. Protection is hardly sound, because it is 10, 15 or 20 per cent. of an unknown future quantity. I think there will be much more point in giving the sugar manufacturers a promise of Protection of so many rupees per maund.

8961. *Q.* I will deal with the specific duty.

A. Tariff valuation comes to the same thing in practice, because it is an assessment on so much quantity.

8962. *Q.* I thought tariff valuation was on the average price of the preceding one year or three years?

A. It is in the case of sugar.

8963. *Q.* That is what I was referring to, where against a revenue tariff of 15 per cent. the actual result is 30 per cent. In a converse case, it might go down to 5 instead of 15 per cent. How will that work under a system of Protection? That is my difficulty.

A. It seems to me that it would work particularly well, because, if prices fall, that is the time when your protected manufacturer wants greater Protection. That is the time when competition with the foreign article is more severe, because the foreign prices are falling. Therefore this working on the past average would put the duty up as compared with working on the current value. In the converse case, if the percentage of the tariff valuation based on past averages is less than the current actual value, prices abroad have gone up and the Indian industry does not require for the time being so much Protection.

8964. *Q.* How will this operate on prices and on the consumer?

A. I think it is impossible to predicate anything definitely.

8965. *Q.* As regards specific duty, don't you think that in regard to an article like piecegoods, not only cotton but silk piecegoods, the variation in prices is very great having regard to the variation in quality?

A. I agree there is variation in quality, and in consequence there is variation in price.

8966. *Q.* Therefore, if you put a specific duty on quantity or on weight, supposing the policy of Protection was adopted, how will this system work?

A. Of course, I should not dream of suggesting for piecegoods anything but a somewhat elaborate schedule in which quality would be taken into account. You have your colours, white, grey and coloured. They would be distinguished, as also the different counts. All these things will be taken into consideration, and the relation between weight and length.

8967. *Q.* Taking piecegoods, the lighter the weight, the higher the price?

A. Quite so. That is why I should have a very carefully drawn up schedule. It can be done.

8968. *Q.* Without imparing in any way the amount of Protection?

A. I think it can be done without impairing the amount of Protection, because we have analogies in the tariffs which I have referred to in my evidence, for instance the proposed new American tariff. The first item is cotton cloth, not bleached, printed, dyed, coloured or woven figured, containing yarns, the average number of which does not exceed No. 40 so much per pound. They take the weight and the quality into consideration.

8969. *Q.* I do not know what the effects are; when I had something to do with the importing of Turkey red yarn from Glasgow, it varied about 20 per cent. in price; though it was the same count and the same colour and the same description yet there was a difference of 20 per cent.

A. I come back to what I said before. Admitting that is an objection, the answer is firstly that in my opinion it is an objection which is overweighed by the objections to the other method, and secondly, after all, if a man wants a thousand yards of Turkey red yarn of a certain count, why should not he pay the same duty? Everybody who wants a thousand yards would pay the same amount of duty.

8970. *Q.* But the actual difference in value would be 20 per cent. If you base your specific duty on 40's Turkey red yarn, then the superior quality would pay less?

A. It will not be actually less.

8971. *Q.* The value, we will say, is Rs. 1-10-0 in the one case and in the other case Rs. 1-15-0 per lb. If you have a uniform duty on every lb. of Turkey red 40's imported into India, the one will pay less and the other will pay more based either on the lower or higher value?

A. I do not think it is fair to say less or more. Less percentage of its cost. It would not pay less or more. It will pay the same.

8972. *Q.* Less proportionately?

A. Yes. What I was trying to suggest was that it was not necessary to absolutely insist on that proportion.

8973. *Q.* How will that affect the protective policy in regard to local manufactures?

A. Ordinarily speaking, with a carefully drawn up schedule, it should have little effect.

8974. *Q.* You think all this can be worked out?

A. I do not suggest you can divide the qualities of your Turkey red of a certain count. But I do not think the fact that you have two articles similar in description

differing in quality paying the same rate of duty quantitatively, should affect the situation from the protective point of view.

8975. *Q.* Taking sugar, there are several qualities, varying in price. How would you determine your duty? Take the present duty. We have 15 per cent. now, which will be translated into quantity on a certain basis. Will you please tell us how you will do it?

A. In the case of Java sugar, we divide it into 3 particular classes, below 15 Dutch standard, 16 to 22 Dutch standard, and 23 Dutch standard and above. These Dutch standards are standards of colour only, but they represent quality. In the case of sugar from other countries, we have an all-round figure.

8976. *Q.* But that is when you are charging them on the tariff valuation or *ad valorem?*

A. Tariff valuation.

8977. *Q.* Supposing you have got a specific duty on quantity?

A. It would be the same as the tariff valuation. Instead of saying 15 per cent. on so much, you can say so many rupees per cwt.

8978. *Q.* You think there will be no difficulty?

A. I see no difficulty.

8979. *Q.* And that it would not affect the policy of Protection if Government decide to adopt it?

A. In my opinion, it would have no effect upon that.

8980. *Sir Maneckjee Dadabhoy*—*Q.* Your answers, Mr. Lloyd, to the President's questions have cleared up many points on which I entertained some doubts in your interesting note. I should therefore not trouble you at any length. But I would just like to clear up a few further points. How long has been your experience in the Customs Department?

A. Just short of 12 years.

8981. *Q.* How long have you been Customs Officer in Calcutta Port?

A. I came here in June 1916.

8982. *Q.* And before that where were you?

A. In Rangoon.

8983. *Q.* Did you work also in Bombay?

A. Yes, for two months only.

8984. *Q.* So your experience is mostly gathered from your service in Rangoon and Calcutta?

A. Yes.

8985. *Q.* I understand that your principal complaint is against the present system. You are not satisfied with that?

A. It is against the present definition of value.

8986. *Q.* You prefer a system of fixed tariff valuation for the assessment of import duties?

A. That is so.

8987. *Q.* I should like to know what would be the effect. Is not the effect of fixed tariff valuation practically the same as that of specific duties?

A. It is the same as specific duty, provided the specific duty is revised frequently.

8988. *Q.* Would you propose any special machinery for fixing valuations?

A. Of course, we have the existing machinery, which I think should probably be extended and developed. I am afraid I have not formulated any definite views. I think the existing machinery is capable of improvement.

8989. *Q.* You have not thought over as to what additional cost this would entail in carrying out your scheme?

A. No.

8990. *Q.* Are you able to give us any information?

A. I think it would cost Government in the long run very much less than the present system, because I think it would be possible to avoid increases in establishment in Custom Houses, which are in my opinion overdue.

8991. *Q.* These changes have long become overdue and ought to be carried out immediately?

A. That is not quite so. I think if we have to carry on with the present definition of value, we shall require more Appraisers. I think we might avoid that.

8992. *Q.* Then I gather from your note that it is also your opinion that in a system of fixed tariff valuation, the strength of the Customs Department could also be reduced?

A. I think we could rather avoid further increase, which would otherwise be perhaps necessary. At the same time I must say that I was not thinking so much of the question of expense as the question of maintaining smooth working between us and the public.

8993. *Q.* Then the present system has caused discontent?

A. Undoubtedly; there have been complaints repeatedly.

8994. Q. Have you ever approached Government with your proposals in this matter?

A. I have put my views before Government in full.

8995. *Q.* And what was the reply if it is not confidential? Are you at liberty to say what the result was?

A. No orders have been passed.

8996. *Q.* I understand you have some difficulty in finding out the real values of imports?

A. We have considerable difficulty.

8997. *Q.* Could you not find out the real values for purposes of Customs assessment from the published returns of current prices?

A. It is unworkable to go on local current prices because there are enormous varieties of qualities in piecegoods. I have been prepared to accept a fairly limited classification for the purpose of tariff valuation or specific duty. It is not possible under the law to work thus in trying to get the real value of anything; we must go by the actual individual article.

8998. *Q.* I find from your note that real values cannot be ascertained from invoices in the absence of consular services?

A In my opinion values cannot safely be so ascertained.

8999. *Q.* Cannot some arrangement be made with the British Consuls for the supply of necessary information?

A. I am not able to answer that.

9000. *Q.* We have now a Trade Commissioner in London. Could he not help us to do that?

A. It would be a very considerable task; it would mean an enormous increase of establishment.

9001. *Q.* Now in Great Britain I understand that there is a system of specific duties upon imports based upon weight or measurement?

A. Yes, in some cases but mostly on weight. They have a very limited tariff and I do not suppose they have more articles for specific duties than we have already.

9002. *Q.* In any scheme of tariff valuation, is it not likely that there will be a loss of revenue and considerable heartburning through the uniformity of duties?

A. In my opinion if the position was made clear to the public that should not occur. I do not think there is any need to use such a strong word as "heartburning." In the particular case of sugar, of which we have been speaking, the results have been good.

9003. *Q.* You say that by explaining you could avoid any trouble?

A. Yes, by making it clear that the tariff valuation cannot be expected to be at any moment approximately close to real value but that it would form part of a policy. Any objection of that sort would be far out-weighed in all large importers' minds by the advantage of knowing what they would have to pay on their forward business. Cases have come to my notice recently where the assessment was made upon the local market value, and the difference in duty between what the man could reasonably anticipate and what he had to actually pay for the goods, owing to the local market value having greatly risen, exceeded his commission.

9004. *Q.* At present I understand the valuations by Appraisers and valuers can be questioned?

A. Yes.

9005. *Q.* But under a system of specific duties, there would not be this safeguard?

A. There would be no occasion for dispute. To verify a weight or a quantity would be a simple task.

9006. *Q.* Would that be simple in matters of all discriptions of goods?

A. Well, I have to reserve a certain amount of doubtful cases, but in a great majority of cases it can be done easily. Ordinarily speaking, we rely upon the invoice quantities subject to check, but the check is easily made.

9007. *Q.* Will you kindly see your answer to Question No. 5. You say, "it appears likely that if the present policy is continued, a number of new industries started behind the very effective 'protection' of war time conditions will experience difficulty in establishing themselves in the face of overseas competition?"

A. Yes.

9008. *Q.* Am I justified in presuming that you would like to have a protective tariff for the Protection of these industries?

A. I have asked permission not to express an opinion on policy.

9009. *Q.* Why do you recommend a countervailing excise duty in India?

A. Are we discussing a revenue tariff or a protectionist tariff?

9010. *Q.* Give me your explanation on both points.

A From the point of view of a revenue tariff, if the goods are in effective competition, the increase of duty on imported articles will tend to an increase in the local market price,

which will mean that the local manufacturer will obtain a better price than he otherwise would have done. That means that the Indian Legislature in imposing the duty has caused a payment by the consumer some of which goes into the pockets of the Government and some into the pockets of the Indian manufacturers. From the revenue point of view, any tax imposed should be imposed for the benefit of the Government alone.

9011. *Q.* Originally this excise duty was meant for the equalization of profits, was it not?

A. I do not know what it was meant for, but I understand it was based upon the argument which I have just advanced. It was held that the imposition of the import duty would, in the absence of the excise duty, afford Protection to the local manufacturer.

9012. *Q.*-You will admit that America and Japan have profited by it—by this excise duty?

A. I do not see how they could profit.

9013. *Q.* I understand you to say that on other matters you would not like to express your definite opinion?

A. What I feel about this evidence of mine is that I am a Customs Officer, and my duty is to administer any policy that is given me.

9014. *Q.* So I will not trouble you about any other answers.

9015. *Mr. Mant—Q.* Mr. Lloyd, there is one thing in your answer to Question No. 3 the meaning of which I am not quite sure of, namely "but I consider that a general tariff of 10 per cent. is about the maximum that can be passed as essentially a revenue tariff." Would you explain more fully what you mean by that?

A. Perhaps it is not very well expressed. What I meant was that it was about the maximum up to which you could reasonably overlook the question of Protection.

9016. *Q.* You mean that up to 10 per cent. it would not operate as Protection?

A. I have not particularly studied the tariffs of protectionist countries, but I believe 10 per cent. would be considered a very low rate of Protection.

9017. *Q.* Now, as regards this method of assessing duty, you say that in other countries the customs valuation is generally based on foreign selling prices. I suppose all those countries who do that have a consular service which enables them to ascertain what the foreign prices are?

A. I can only answer for America which, I know, has a consular service largely for that purpose. Of course, many of these countries with high tariffs have a system of specific duties, but I must disclaim any pretensions to be an expert upon foreign customs. I have not studied them in detail.

9018. *Q.* Then we are thrown back on invoices from which you certainly get some check, but not a reliable one. But the starting of a consular service is hardly a practical proposition?

A. It occurred to me that probably it was not.

9019. *Q.* Too expensive?

A. Yes.

9020. *Q.* Sugar, of course, is on a tariff valuation?

A. Yes.

9021. *Q.* And salt is a specific duty?

A. Yes.

9022. *Q.* Liquor is a specific duty?

A. Yes.

9023. *Q.* What about chemicals?

A. Such chemicals as sulphur, soda ash and many others are on tariff valuations.

9024. *Q.* How often is the tariff valuation fixed?

A. It is fixed once a year. Of course, it is open to the Government of India to revise it whenever they like to do so. There is a meeting to consider tariff valuation held both in Bombay and here, and as a result of that towards the end of each calendar year, a revised schedule is published, coming into effect from the following first of February. It is in the hands of the Commercial Intelligence Department who act in consultation with the Customs Officers and the Chamber of Commerce.

9025. *Q.* You think the present system of tariff valuation is satisfactory?

A. Generally speaking, I think it is satisfactory.

9026. *Q.* Now, with regard to machinery you do not contemplate a duty of 11 per cent. A suggestion has been made that a duty of that amount should be put on iron and steel; and if that was conceded, it would be necessary to have 11 per cent. on machinery?

A. No. I don't contemplate such a rate as that. I would create a new general rate, slightly above 2½ per cent., from which I would pick out specific articles for the 11 per cent. rate.

9027. *Q.* There is one other question in regard to Government imports. It is at the end of your supplementary note. Can you tell us whether such imports in other countries pay duty?

A. I do not know.

9028. *Mr. Birla.—Q.* In answer to Question No. 25 you say, "the restriction of imports would tend to raise the exchange value of the rupee, which, by raising the price of India's production in terms of foreign currency, would ultimately have an adverse effect on exports and thus the foreign trade of India would cease to expand so rapidly as hitherto." That is to say, that it will expand slowly, is not that so?

A. I would not say whether it would expand or not I only say that it would check the present rate of expansion.

9029. *Q.* Do you think that the check will be temporary permanent?

A. That is a very difficult question to answer.

9030. *Mr. Coyajee—Q.* Mr. Lloyd, you have argued that specific duties possess important administrative advantages, that is your point of view in the earlier part of your note. But do you not think that from the protectionist point of view specific duties give us only a fluctuating amount of Protection, as in the case of sugar?

A. That depends upon whether you choose that particular way of deciding your tariff valuation.

9031. *Q.* In the case of sugar?

A. We decide on an average of 12 months preceding.

9032. *Q.* Is there any other alternative method of fixing the tariff valuation?

A. In the case of other commodities we at present work on a general consideration of current values and market prospects.

9033. *Q.* That is to say, experts' guesses?

A. Yes.

9034. *Q.* Who are the experts, may I know?

A. The Chambers of Commerce and the Customs Officers.

9035. *Q.* They send representatives?

A. The Director-General of Commercial Intelligence goes to Bombay and Calcutta and meets these bodies.

9036. *Q.* In any case the Protection would be of a fluctuating character?

A. Not more fluctuating than an *ad valorem* rate based upon the cost of the foreign article which fluctuates even more widely.

9037. *Q.* From the revenue standpoint, don't you think that the yield in a system of specific duties is inelastic, because they cannot rise when prices rise?

A. It is of course much less elastic. I do not admit that this elasticity is desirable.

9038. *Q.* When prices rise Government will want extra revenue. That is how elasticity is good?

A. That leaves budgeting out of account.

9039. *Q.* I was only saying that not only is there an adminstrative aspect of specific *versus ad valorem* duties, but also a protectionist aspect and thirdly a revenue aspect. In your memorandum you deal only with the first.

A. Yes.

9040. *Sir Montagu Webb—Q.* Do I understand correctly from your written evidence that, from the point of view of the Customs Department, you would prefer your duties to be specific?

A. From the point of view of the Customs I should prefer always specific duties.

9041. *Q.* Rather than either *ad valorem* or tariff values?

A. Yes.

9042. *Mr. Narottam Morarji—Q.* Will you please tell me if goods entering Chandernagore have to pay any duty in British India?

A. I believe there has been a convention between the French and British Governments by which the French Government has waived any right to separate customs administration in Chandernagore. The only articles which are admitted free of British customs duty are articles intended for the personal consumption of the French officials for which we have a special system of granting rebates.

9043. *Sir Edgar Holberton—Q.* I should like to elaborate this new note of yours a little bit. Have you in your actual duties in the past come across a considerable amount of trouble from special exemptions?

A. I would not say that we have had a considerable amount of trouble. We have had a number of exemptions, but they have hitherto been limited. But what we have had have always been troublesome. Having to grant refunds is itself troublesome. There is also the difficulty of establishing effective checks.

9044. *Q.* What you would like to see is that if an article came into the country, it should pay the same duty for whatever purpose it were put to?

A. That is so.

9045. *Q.* It would be simplest from the point of view of the Customs?

A. Yes. From what I have seen of tariffs of other countries I gather that this is the point of view which is generally adopted.

9046. *Q.* You said you do not know much about tariffs?

A. I mean I am not an expert. I have not had the opportunity of specialising with regard to tariffs of other countries.

9047. *Q.* With reference to differentiation in the valuation of machinery between 11 and 2½ per cent., has that been a serious source of nuisance?

A. I think it has probably given more work than anything else last year.

9048. *Q.* Have you found that the results of the appeals made to you have been successful or not?

A. The appeals to me have been mostly unsuccessful, because I administer the tariff as it is written.

9049. *Q.* From the evidence we have had before us, it appears to me that machinery imported is not treated with sufficient leniency.

A. I think that the definition of machinery has not been successful in achieving the object which was originally intended by the Legislature.

9050. *Q.* As a matter of fact, whether it has been done by you or by somebody else, all the original rulings have been over-ruled? Have they not?

A. I should say several of them have been over-ruled.

9051. *Q.* We have had a good many instances from people giving evidence before us.

A. I do not say that there have been very many successful appeals. But I say that there have been several successful appeals.

9052. *Q.* We have had a good deal of evidence before us on the question whether Government should pay duties or not. I do not want to ask your opinion. But what I want is this: Is there any known instance where Government does pay a duty on anything that it imports?

A. The answer to that question is really "no." But, of course, cases do occur where indirectly they pay duty if a thing is purchased in this country.

9053. *Q.* There is no instance of anything coming through the Customs on which Government pay duty?

A. I cannot see how there can be. The exemption is in the Act.

WITNESS No. 62.

The Hon'ble Rai Bahadur GHANESHYAM BARUA, B. L., Minister in Charge of Local Self-Government and Industries, Assam.

Written statement, dated the 31st December 1921.

I am in favour of Free Trade, subject to Protection for the purpose of developing industries for definite periods during which positive efforts to develop the industries concerned should be made, so that Protection may be withdrawn when the desired advance has been made. A policy of Imperial Preference is really excluded by the principle of Free Trade but in response to a similar privilege being afforded by other states of the British Commonwealth, a preferential tariff may be adopted towards them to the extent and with the caution that India's economic condition may not be affected by diverting trade from foreign countries of commodities which the British Empire cannot wholly absorb, or of materially raising the prices, or preventing the import of manufactures from foreign countries which are cheaper than those of manufactures within the Empire.

Below are answers to a few questions.

9054. *Q.* 1. I favour Free Trade in principle as giving the fullest benefit to the consumer: but for purposes of developing home industries temporary protection is necessary in suitable cases. I have no objection to the imposition of customs duties for the purpose of revenue.

9055. *Q.* 2. The answer is not easy to give, but ordinarily indirect taxation in the shape of customs duties seems to be more suitable, as sources of direct taxation in India are limited and some of them very inelastic.

9056. *Q.* 3. I have no strong suggestions to make. But I am inclined to think that machinery and Railway plant and rolling stock do not deserve as much consideration as common cloth and other necessaries for the poorer classes, first, because the former class directly concern people who can afford to pay and secondly, because it is home production in India of those things that should be attempted and encouraged. I have no objection to high duties being imposed on articles of luxury and intoxicants.

9057. *Q.* 6-8. I am inclined to approve of an excise duty on articles manufactured in India, when there is an import duty on imports of those articles.

It is not so much on the ground that no Protection should be afforded to the home manufacturer as against the foreign manufacturer as on the ground that the home manufacturer has first to cheapen prices here than seek profits abroad in return for the Protection afforded by the import duty which whether imposed for revenue or Protection purposes aids the fostering and development of home industries.

I think it is the import duty which primarily affects the raising of price to the consumer more than an excise duty in such cases. If competition is limited by the import duty, the manufacturer would not perhaps risk his trade by adding the excise duty also to his manufactures sold at home.

9058. *Q.* 9. I consider that the tariff should be primarily framed for revenue purposes which also has the effect of Protection. But there is every justification for special protective duties for developing promising industries.

It is however no use making these protective duties permanent for the benefit of the producer only and to help the perpetual keeping up of prices. When a protective duty is imposed, I would use it to develop and foster the industry concerned so as to bring it to the standard of being able to compete with foreign imports and then remove it. Otherwise, a protective duty will only mean patronage to the producer at the expense of the consumer for which on general economic grounds there seems to be no justification.

9059. *Q.* 10. It is difficult to say. Perhaps no country can be completely independent of other countries in its requirements. But I believe that with a vigorous effort both on the part of the Government and of the people, India may meet almost all her requirements by manufactures at home—her geographical and climatic conditions being so favourable. I would not venture giving a list of the articles until India's capacity has been tried, but as a general proposition and with complete Free Trade as the ultimate goal, manufactures which India cannot make more cheaply than some other countries either due to climatic or economic conditions will better be obtained from other countries, India making in return suitable exports to other countries of her surplus manufactures in industries suited to her.

9060. *Q.* 11-13. I would impose protective duties ordinarily with a definite object and for a limited time. To start with, I would protect such industries as supply the mass of the people; and with the duties protective proper (as apart from revenue) I would help those industries to rapidly develop here. Where such help is not immediately possible, I would not deprecate some Protection to industries in the initial stages for development by themselves so long as they cannot be similarly taken up vigorously.

9061. *Q.* 14. I would confine to the former and would not contemplate the latter.

9062. *Q.* 15. I would, but I cannot suggest much as to means to be adopted. Ordinarily, a reliable body not interested in such industries would seem commendable. The persons should be in a likely position to collect correct information and above interested motives.

9063. *Q.* 16. I would maintain and encourage them. The handloom industry particularly may meet a large demand and employ to the benefit of the country a good deal of leisure time which will otherwise be wasted. This is a great subsidiary industry. Hand industries have the advantage also of supplying expert labour to organised industries as they are established.

9064. *Q.* 17. I think so. I have no safeguards to suggest except an ultimate removal of Protection. In industries in which Government take a prominent part in the course

of development, Government would be justified in controlling prices.

9065. *Q.* 18. I think so. Though foreign firms will benefit the country to some extent by employment of labour and perhaps by imparting some training to Indians, and possibly attracting Indian capital to some extent, I would keep them out as much as possible but make efforts to systematically organise Indian firms by Government subsidies, bounties and, if necessary, even by Government pioneering. Such efforts must also be accompanied by scientific and technical training. Where Indian experts are not available for managing them, I would import foreign experts for a time being rather than import foreign firms, as the latter would always keep the cry-up of the country being exploited by foreigners. Trained experts may then gradually be put in to replace the foreign element.

9066. *Q.* 19. The conflict will arise. I would not venture suggesting any means of adjustment, but I think the conflict will be temporary and matters will adjust themselves as expansion of home industries will stimulate competition and raise prices of raw materials on which an embargo is put. If a temporary adjustment is necessary, the principle I would like will be to put the interest of the common people as consumers first.

9067. *Q.* 20. Ordinarily, I think the whole passes on to the consumer. Only in cases where the duty makes competition impossible, a portion of it has to be borne by the producers.

9068. *Q.* 21. I think it will tend to be permanent as long as the duty stands. I have known of very few traders or manufacturers lowering prices if they can help it, even if they profit 100 per cent. or more. The war period proved this most emphatically.

9069. *Q.* 22. I would accept a temporary sacrifice for permanent good.

9070. *Q.* 23. Yes, chief among them would be cotton goods, common woollen manufactures, iron and steel, cutlery, umbrellas, etc.

9071. *Q.* 24. Not commensurately. The bulk of the population being agriculturists, they would get no benefit. The agricultural wage-earner may receive but a small share. The industrial wage-earner, who represents a very small fraction of the population, will be most likely benefited most of all. The middle classes like the agricultural wage-earner, may get a small share but not to the extent that the situation would demand.

9072. *Q.* 25. Protection by reducing imports would likely reduce exports also; but if home industries are developed and home supplies made abundant, the check on export of raw materials will be to the benefit of those industries and the improvement of the general economic situation. When in time Protection is removed, export of manufactured articles as well as of raw materials will have a natural course.

9073. *Q.* 29. Some organisation, either permanent or periodical, appears to be necessary.

9074. *Q.* 30. Export duty, for revenue of course, falls under the general category. Another function in the case of raw materials and food-stuffs would be to conserve them for home manufactures and home consumption.

9075. *Q.* 31. Export trade may be somewhat checked in some cases and in some not; but as I have not personal experience of trades, I cannot mention any specific trades either way except that Indian tea with an export duty will suffer in competition with other producers.

9076. *Q.* 32. See answer to Question No. 30.

In the case of industries not fully developed but making some initial advance, I would try to restrict exports of the raw materials wanted for them by imposition of an export duty, and simultaneously make vigorous efforts to develop that industry to make it capable of absorbing as much as possible of the raw materials in question at home so that both parties may share the results.

9077. *Q.* 33. Yes, I would place food grains under heavy export duties or even prohibition until a prescribed low level of prices can be maintained. This will, of course, mean a temporary sacrifice to the cultivator, but will amply repay in a short time by cheapening labour and manufactures in India.

I do not apprehend much reduction of produce on this account if suitable precautions are taken to adjust rates on different agricultural products. The need of a larger quantity of produce to bring in the money essential for a family will perhaps rather stimulate large production, unless facilities are given for converting fields suited for food-grains to other use such as growing jute. But the danger will be confined to limited areas and may, I think, be effectively prevented.

9078 *Q.* 40. It is probable that there will be a rise in some cases at least, while in others imports from other countries may be discouraged.

9079 *Q.* 42. I think so, at least during the period of transition till a new equilibrium is established which also will perhaps be at some permanent cost to India.

Oral evidence, Calcutta, the 10th January 1922.

9080. *President.*—*Q.* Mr. Barua, you are the Minister in charge of Local Self-Government and Industries, Assam?

A. Yes.

9081. *Q.* You have had no direct experience of industries?

A. No.

9082. *Q.* I should like you to tell the Commission what is really your view in regard to the fiscal policy which is most suitable for this country. You say that you are in favour of Free Trade, subject to Protection for the purpose of developing industries for definite periods during which positive efforts to develop the industries concerned should be made. That is to say, you are in favour of fostering Indian industries by means of a protective tariff?

A. Not only by means of a protective tariff, but also by means of bounties, subsidies, etc., and if necessary, pioneering.

9083. *Q.* Though you begin by saying that you are in favour of Free Trade, you have advocated various measures for the development of industries which are of a protective character, and you think that it is advantageous and in the interests of India to encourage and foster the industrial development of the country?

A. Yes.

9084. *Q.* In order to attain that goal you would support promising industries by Protection?

A. Yes.

9085. *Q.* With tariff protection you would also combine subsidies, bounties, etc., if necessary?

A. Yes.

9086. *Q.* In answer to Questions 6-8 you say, "It is not so much on the ground that no protection should be afforded to the home manufacturer as against the foreign manufacturer as on the ground that the home manufacturer has first to cheapen prices here than seek profits abroad in return for the Protection afforded by the import duty which whether imposed for revenue or protection purposes aids the fostering and development of home industries." Will you please explain what you mean by cheapening prices here in India before seeking profits abroad?

A. My idea is that if there are no excise duties and he can sell these goods at a little higher price elsewhere than in India, then he would naturally prefer to send his goods out to places where he could make a little more profit instead of supplying the Indian consumer. The idea is that he should first look to the Indian consumer.

9087. *Q.* Do you think that it is at all possible, in the state of the Indian industries now, for Indian manufacturers to find a very profitable market abroad?

A. I don't know. Considering the cheapness of Indian labour, I think it may be possible in some industries.

9088. *Q.* You know that, in spite of that natural advantage and other natural advantages of having the raw material on the spot and the markets on the spot, it has not been possible to secure a substantial development of Indian industries, and it is for that purpose that Government have appointed this Commission to ascertain what should be the fiscal policy which would be best suited in the interests of India?

A. That is a question on which I would not be able to satisfy the Commission. I have no definite ideas.

9089. *Q.* In answer to Question No. 10 you say, "It is difficult to say. Perhaps no country can be completely independent of other countries in its requirements. But I believe that with a vigorous effort, both on the part of the Government and of the people, India may almost meet all her requirements by manufactures at home—her geographical and climatic conditions being so favourable." Will you please explain what you mean by a vigorous effort on the part of Government and the people to enable India to obtain almost all her requirements in India?

A. The principal difficulties in India are: organising capacity, experience in business, shyness of capital to come forward, and perhaps defects in management, etc. In order to cure this, I think some supervision or an active part by the Government would help people in making up these defects to a great extent.

9090. *Q.* What steps could Government take which would improve the internal management of individual industries? It is a very difficult question. I would like you to explain the position.

A. It is difficult, of course. But Government might choose, in the first place, I think, most reliable experts, and by a system of auditing and inspection see that internal affairs do not go wrong in material particulars. They might appoint experienced businessmen to supervise; or they might appoint some sort of audit staff to look after business, so that they might take the right lines.

9091. *Q.* Don't you think that individual manufacturers would resent the interference of Government experts in their internal management?

A. With those who can deal independently with any industries Government will have no occasion to interfere. But when an industry is going poorly, I think Government may regulate its own action in the way of aiding with subsidies, etc., and keeping a hand in control of its management.

9092. *Q.* What you mean is that industries which are not successful should be enquired into by Government officials and that all necessary help in the way of subsidies, bounties, etc., and protective tariffs should be afforded?

A. Yes. Until an industry comes up to the right lines, Government should guide it.

9093. *Q.* This is practically what you mean in your reply to Question No. 10. You have now merely elaborated it?

A. Yes.

9094. *Q.* Question No. 18 relates to the possibility of foreign industrial firms establishing themselves in India and taking the advantages of any protective tariff that may be imposed. You would rather keep such firms out?

A. Yes.

9095. *Q.* You would not have industrial development in India by means of foreign firms?

A. As far as possible I would avoid the use of foreign firms for industrial development.

9096. *Q.* Why would you avoid them?

A. Foreign firms developing in industry means the industry being sold to foreigners.

9097. *Q.* But they are established in India. Their factories are established in India?

A. Yes. All the capital is used in India. That is true. But the capital is used by the foreigner for his profit. The only benefit that you get is in the shape of the employment of your labour to some extent. I may say that that labour is also employed because it is to the benefit of the industrialists. A foreign firm using its capital to profit means that it will send away its profits to foreign countries. That is a thing quite different from Indian capital working by itself and having its profits here and employing its own labour.

9098. *Q.* Do you think that industrial development in India could be expeditiously carried out by a purely Indian agency without the help of foreign firms?

A. I do not think many industries could be developed for a certain time. I would rather import foreign experts.

9099, Q. You think that the importation of foreign experts with Indian capital and enterprise will provide the necessary speed in the development of Indian industries?

A. Yes. That is my view. You have to train your own people in industries.

9100. *Q.* How would you provide for that training? You say that such efforts should also be accompanied by scientific and technical training. How do you propose to bring it about?

A. By scholarships, by sending people to foreign countries to learn business, by technical education here, etc., or are ripe for work and when these scholars return by putting them in firms as assistants and gradually training them up for higher posts.

9101. *Q.* I understand that you are interested in agriculture. Are you not?

A. Yes.

9102. *Q.* What effect do you think would be produced on the agricultural classes if you follow a policy of substantial export duties; this would reduce the price of raw materials and food stuffs produced in this country and the agriculturists would get less money for their products? What will be the effect upon them of this lowering of prices?

A. There will be a temporary loss to them. But my idea is that they will be more than repaid for that loss by other things also becoming rapidly cheap. As soon as you make food grains cheap, I think other articles of food are necessarily bound to come down very rapidly including manufactured articles. That will exert some influence in gradually cheapening prices in the case of other manufactures also. Food is the first thing which should go down in price.

9103. *Q.* In your view, the lowering of prices of those articles would reduce the cost of living and this would compensate the producers for the reduced profits they would get as a consequence of the imposition of export duties?

A. Yes.

9104. *Q.* But the raw materials produced in India are far in excess of what can be manufactured for a period of many years to come?

A. Raw materials and foodstuffs I am taking a little differently. On those raw materials which India is at present not capable of absorbing, or of which there will be a large surplus, I think the duties might be proportionately less. It is only those raw materials that are likely to be rapidly taken up for home industries that should be taxed a little higher than the others.

9105. *Q.* That is to say, you would gradually raise your export duties on raw materials as industries develop, and the demand for raw materials for local manufacture develops. Is that your idea?

A. Yes. To some extent.

9106. *Q.* Let me know your idea to the full extent.

A. It must be different for different raw materials. In the case of some raw materials, I think it is impossible for India to absorb all at the present moment. We need not care about absorbing all, if there is a chance of absorbing the greater part of it. I think I would impose an export duty simply with a view to encouraging industries to take up the business in right earnest.

9107. *Q.* You know that it cannot be done in a day. You advocate duties to be imposed immediately?

A. I do not say that they should be imposed immediately. I would make a programme to develop so many industries in so many years and absorb the raw materials after organising them; only then I would put on the duty.

9108. *Q.* You do not think that it will have any adverse effect in regard to the export duty on raw materials? The heavy export duty on food grains would have the effect of reducing agriculture?

A. I do not believe the agriculturist will have to leave agriculture eventually, if he gets a smaller price. It may make him produce more.

9109. *Q.* Please explain that.

A. It may cut both ways. It may either reduce or increase. The likelihood is that it may increase, because the ordinary quantity will not fetch him the money he requires.

9110. *Q.* How? By having more land or by scientific agriculture?

A. He will grow two crops where he grows one.

9111. *Q.* Can he grow two crops?

A. In some cases he can.

9112. *Q.* He is not doing so now?

A. No. If he finds the need, I think in some fields he may grow two crops. In any case there is no reason to think that he will produce less.

9113. *Q.* I gather from the last two sentences of your answer to Question No. 33 that you think the agriculturist will try to produce more. Is that so?

A. Agriculture includes raw material as well as food grains. That particular note is intended for food grains.

9114. *Q.* But he will try to produce more in order to get a sufficient living wage. You think it is possible?

A. I do not think it is impossible.

9115. *Q.* You do not think that he will forsake the growing of food crops and turn to other crops, which will give him better returns?

A. I do not think there are many crops to which he can divert his attention, except jute.

9116. *Q.* Oilseeds and cotton?

A. Fields which are suited for food grains are not suited for cotton. Oilseeds may, to some extent, be grown in fields which are suited from food grains. The agriculturist will be bound to cultivate his rice none the less, whether the market is cheaper or dearer.

9117 *Q.* Even if he finds that the outturn of his field is not sufficient to keep him and his family going?

A. That is where I beg to differ from you. I do not think he will find it so.

9118 *Sir Edgar Holberton.*—Q. You are in favour of a heavy duty on the export of foodstuffs?

A. Yes, I am.

9119. *Q.* In order to keep it in the country?

A. Keep it in the country and make foodstuffs cheap.

9120. *Q.* You think it will have the effect of making it cheap?

A. I think it is bound to.

9121. *Q.* Has your experience been such?

A. I know one instance this year. In Manipur in July last, owing to heavy export the price of food grains rose to Rs. 10 a maund, and then the Raja prohibited all export for some time, and in three months' time the price was reduced to Rs. 2 per maund.

9122. *Q.* Where was this exported to?

A. It was exported to the British districts—Naga Hills and the plains.

9123. *Q.* An export duty is commonly taken to be a duty on exports outside British India. Can you give an instance where export duties on foodstuffs going out of British India had the effect of reducing prices of foodstuffs?

A. As I have said, I have not got figures or experience of these matters. To compare the small thing with the large, I do not see why there should not be the same result.

9124. *Q.* It is purely your theoretical view?

A. Yes.

9125. *Q.* According to your view, the price of foodstuffs is going to be reduced — is it not?

A. Yes.

9126. *Q.* Therefore, the cultivator, as the President said, will get less?

A. Yes.

9127. *Q.* And would he get out of it by having two crops?

A. Not only that. The cheapening of the price of food grains will cheapen all other necessaries of life; for instance fish, meat, vegetables,—all these things will necessarily fall down in price immediately the price of rice and dhal becomes cheap. The man who cannot sell his fish for less than Rs. 4 now when rice is Rs. 10 a maund, will certainly like to sell it at Rs. 2 when rice will be selling at Rs. 5 a maund.

9128. *Q.* And he will receive less money in return?

A. For the ordinary cultivator money is required for his food and for his raiment. If the food part of his requirements becomes cheap, I think it will cheapen all other necessaries of life.

9129. *Q.* You want him to live a hand-to-mouth existence; you do not want him to have a few rupees in his pocket?

A. I think in time that will also be possible.

9130. *Q.* How?

A. Under my system, if local industries are improved, and if labour becomes cheap.

9131. *Q.* I am talking of the labouring classes.

A. I understood you to be talking of the agricultural classes.

9132. *Q.* The agricultural worker is a labourer. The man who tills the fields gets, according to your own words, only just enough for his food and raiment. If he wants to change his standard of life, he must become a labourer and not an employer. According to you labour also should become cheap?

A. He will give his services cheaper when he can get his food cheaper.

9133. *Q.* And you think that the best future you can see for India is that prices should drop and people should have less money for their labour?

A. Money prices should drop, but that will not mean that the standard will be less.

9134. *Mr. Narottam Morarjee.*—Q. In your answers to Questions Nos. 6-8 you say you are in favour of an excise duty?

A. Yes.

9135. *Q.* But can you tell me of any country in the world favouring countervailing excise duties?

A. I do not know much of the history of other countries and I could not give you any very satisfactory answer to that question.

9136. *Q.* Does an excise duty tend to lower prices?

A. An excise duty would not lower prices, but would keep the things here. If they had another field for selling their stock, the effect of the reduced number of articles that will be kept in the country would be to raise prices.

9731. *Q.* Does the excise duty benefit the consumer in India?

A. The produce will be retained in India and the manufacturers will try to sell it cheaper.

9138. *Q.* Does not the consumer pay for the duty?

A. I do not quite follow you.

9139. *Q.* You say that the consumer will be benefited by the excise duty. I think it is the consumer who pays the duty?

A. When the things are abundant, he will have to pay less than when the things are less. When the stock is full, I do not think the manufacturers will try to raise the prices here.

9140. *Q.* Is not the Government being benefied by the excise duty?

A. Yes.

9141. *Q.* So, who is benefited—the consumer or the Government?

A. If there is an excise duty, the Government will be benefited, and in my view the consumer also will be benefited because the stock will be retained here and there will be less tendency to raise the prices.

9142, *Sir Montagu Webb.*—*Q.* Have you had any practical experience of trade or commerce?

A. No.

9143. *Q.* You are Minister in charge of Local Self-Government and Industries in Assam?

A. Yes.

9144. *Q.* You say you are in favour of Free Trade, subject to Protection for the purpose of developing industries. Can you give us an instance of an industry which can be developed in your part of the country by means of a protective tariff?

A. I think there is scope for many industries, but the country has been quite unexplored and the chances of other industries are not known as yet. As far as Assam is concerned, therefore, I think it will be a long time before local enterprise will come forward in sufficient measure to entitle me to say anything of that sort at present.

9145. *Q.* You do not know any industry that can be started and developed by means of the imposition of an import duty, so far as Assam is concerned?

A. I do not know.

9146. *Q.* Then, so far as Assam is concerned, I suppose the imposition of import duties would simply mean that the people of Assam would have to pay more for everything that they buy than thay are paying to-day?

A. I am speaking from the point of view of India as a whole.

9147. *Q.* Speaking for India as a whole, you think the people of Assam would not mind paying more for their articles in order that industries may be developed in other parts of India?

A. I think in a confederacy of people, that must be the outlook of everybody.

9148. *Mr. Coyajee.*—*Q.* In your answer to Question No. 3 you have observed, "I am inclined to think that machinery and Railway plant and rolling stock do not deserve as much consideration as common cloth, etc." Do you mean that machinery and Railway plant should be on the free list?

A. I think my idea was that they may be charged a little more heavily.

9149. *Q.* The present rate is 2½ per cent.?

A. I think on Railway plant and machinery you may impose a heavier duty.

9150. *Q.* Say 5 or 6 per cent. duty?

A. Yes.

9151. *Q.* Because you think they should be made here in India?

A. Yes, they should be made here.

9152. *Q.* Engineering experts who have been examined here told us that rolling stock could very easily be manufactured here, and desired high Protection.

A. I am always against high Protection, unless there is a necessity of fostering the industry. When there is a chance of fostering the industry, I am in favour of raising the import duty to help it.

9153. *Q.* Therefore, you will be prepared to pay larger duties on machinery and Railway plant?

A. Yes.

9154. *Q.* Then, there is the question about excise duties. You don't think that excise duties will increase the prices to the consumer?

A. I do not think it would: it would rather keep prices steady or occasionally cheapen them.

9155. *Q.* In your opinion they only lower the profits of the manufacturer. The profits of the manufacturers are derived from the import duty and the excise duty will lower those profits?

A. Yes so far as profits outside India are concerned.

9156. *Q.* In answer to question No. 9 you say, "I consider that the tariff should be primarily framed for revenue purposes, which also has the effect of Protection." Is it your

idea that we should have a general tariff on many things and some protective duties on a few things?

A. That is what I have said. There may be special protective duties for industries which you select for development, and for the rest revenue duties are necessary, and they also may have an indirect protective effect. I think those revenue duties are more or less compulsory.

9157. *Q.* You go on to say, "But there is every justification for special protective duties for developing promising industries." That is, some of our duties should be protectionist duties, the majority being revenue duties?

A. Yes.

9158. *Q.* In your answer to Questions Nos. 11 to 13 you say, "To start with I would protect such industries as supply the mass of the people." On what principle would you select those industries to which this Protection should be applied?

A. Let me cite an instance, say the textile industry. The commoner class of cloth is required for the mass of the people. Ordinary cutlery is another instance, which concerns the mass of the people.

9159. *Q.* Would you also see that capital and skill would be forthcoming?

A. Yes.

9160. *Q.* In answer to Question No. 18 you represent yourself as adverse to the establishment of foreign firms. But I would put it to you: that if industrial development came on a large scale with Protection, would you not require more capital than India could at once supply?

A. Of course.

9161. *Q.* Then should not foreign capital and organisation be allowed to come in?

A. As long as it can be avoided, I would not like it to come in. When it comes in as a necessary consequence, I would let it come, but I would not welcome it because whenever foreign firms and foreign capital work together, it is not really developing the Indian side of the whole question. It would be selling some industries which ought to belong to India, to foreign countries. Although for economic reasons it may now and then be considered beneficial to India for some time, I am apprehensive of unrest on account of the inevitable connection that Indians are apt to make of the economic situation of India with politics. I think the more we can do without it, the better.

9162. *Q.* Will you permit me to draw your attention to the tea and coal industries, which were, to begin with, started with foreign capital, but which are now becoming in a larger measure the property of Indians?

A. I think that is not so.

9163. *Q.* I am told that 40 per cent. of the capital in the tea industry is possessed by Indians?

A. It is not in Assam at least.

9164. *Q.* I am speaking of the whole of India.

A. I do not think even now the tea industry can, in any way, be said to have changed hands to such an extent that it can be said to have an Indian influence. Whatever might be the percentage of capital claimed for Indians, have you noticed any Indian influence in the tea industry, either in the Tea Associations or in the Chambers of the tea trade? There has been very little influence, so far as I know. It might be that when a tea concern ceased to be profitable or when the original organisers did not think much of it, it gradually changed hands. Whenever they have changed hands, they have done so simply because European firms did not consider it worth keeping. In that way some concerns may change hands. But as the industry exists now, I do not think there is any perceptible influence on it by the Indians. As a whole the industry is in the hands of those who pioneered it.

9165. *Q.* If the European proprietors do not think it good enough to keep, why should the Indian producer think it good enough to buy?

A. In the first place they think that they can manage cheap, and in the second place, they think they can do with less profit.

9166. *Q.* In the same paragraph you put considerable stress on subsidies and bounties. Do you think they will be of valuable assistance?

A. Yes.

9167. *Q.* Coming to your answer to Question No. 19, you say, "The conflict will arise.., but the conflict will be temporary." We have before this Commission a conflict of this nature. First of all, there is the iron and steel industry. The iron and steel companies contend that machinery should be imported free and Protection should be given to steel. On the other hand, the engineering people think that machinery should be given a lot of Protection and less Protection should be given to iron and steel. Now, here is a conflict. Might I have your view as to how you will decide it?

A. Well, that will require the examination of experts. That is all that I can say. It will be the expert's duty to examine whether Protection will be required for any individual industry, and it will be for them to adjust the conflicts.

9168. *Q.* With reference to your answer to Question No. 32, you propose to place heavy export duties on foodgrains. You say that they will cheapen the cost of living, thereby cheapening labour and cost of manufacture in India. Might I know if any other country has made the experiment of developing manufactures in this way?

A. I do not know. As I have said, that is my personal view. If the food question is solved, I think 5-6ths of the economic distress will disappear. If you can keep the prices of foodgrains at a low level, my idea is that it will improve the condition of the people.

9169. *Mr. Rhodes.*— *Q.* Can you tell us what the leading industries of Assam are?

A. The chief industry, of course, is tea. After that come coal and oil. Then recently during the war, I think the box-making industry has made some headway and they are now making tea boxes in Assam, which used to be imported from other countries before.

9170. *Q.* Have these industries been of any financial gain to the province?

A. The tea industry employs a large number of labourers, clerk and doctors. That is the way in which people are being benefited.

9171. *Q.* The tea industry of the country and the coal industry have been largely built up by foreign capital. Is it not so?

A. Yes.

9172. *Q.* Do you regard that as a very great drawback from the point of view of Assam?

A. It is not a drawback in the sense that some of the people who are employed in the industry are fed, but the people of Assam always feel that these industries command a great deal of influence which works against them. I think that is their idea. Whether it is real or not.....

9173. *Q.* As a net result you would rather if you could abolish all your foreign capital and experts and destroy all the tea gardens and kill the whole industry and start afresh?

A. Certainly not. Those who are established must go on, but from experience gained from them, I think the less we establish new ones on those lines the better.

9174. *Q.* Then, as regards Assam, I suppose you have tea gardens owned by Indians and run by Indians and tea gardens run by Europeans and owned by Indian and European capital.

A. Yes.

9175. *Q.* Are the conditions very much the same in the two kinds of gardens?

A. In a few cases the conditions may be more or less the same. But as I have said, the Indian capitalists get the gardens when the European capitalists do not think much of them, and they like to go to it simply because they have the idea that they can do with a less costly staff and manage with a smaller quantity of profit.

9176. *Q.* Can you tell me how this undue influence with the Government is being used by the foreign capitalists, in your own experience in Assam?

A. No undue influence on Government has been used. I do not say that. The Government has helped the industry as they ought to help any other industry, but the influence of the industry itself upon the whole province is great.

9177. *Q.* Is it good or bad? Can you instance from the case of Assam any concrete case in which this influence has had a bad effect on the Government of the province?

A. Now, the question is different: but formerly it was considered, and I think with some justification, that the real policy of Government was controlled more by these big industries than the interests of the common people.

9178. *Q.* Can you give me an instance where the Government has worked in favour of the industry as against the common people, owing to this undue influence?

A. Well, in those days large concessions of land were always given to those industries, and these concessions the ordinary people could not and did not get. That is supposed by many of the public to be a special favour only for the industry as against their interests.

9179. *Q.* They were waste lands previously?

A. Yes.

9180. *Q.* So that the industry has sprung up in waste land, where there was no population previously?

A. Yes.

9181. *Q.* There is one other point I want your evidence on, and that is in regard to export duties. You are talking about export duties on foodstuffs. Now tea is a foodstuff, and an export duty on tea has the effect of lowering the price of tea

A. I think the price of tea really depends on the market, whether the export duty is there or not. How far the export duty controls it, it is difficult to say. This year, for instance, the price of tea has risen very considerably because the planters have reduced the crop.

9182. *Q.* Why have they reduced the crop? That is what I am trying to get at.

A. Because prices went down very much last year.

9183. *Q.* Therefore, if we cheapen the price of agricultural produce, of which tea is one, we lower the price and we reduce the crop for the next year. Do we not?

A. I do not think the case of other foodgrains is the same as that of tea.

9184. *Q.* But that has been your experience with regard to tea, —if prices fall this year, next year the area under crop would be reduced, and prices will rise again?

A. Yes.

9185. *Mr. Birla.*—*Q.* You have been in charge of industries. You want to see India self-contained, and with that object in view, you want to develop industries, I suppose. You also want to see the biggest efforts being made by Government to develop the industries, and you also want to see such industries as supply the necessaries of life of the masses protected by the Government and you also want to organise Indian firms by bounties, subsidies, etc.?

A. Yes, at first.

9186. *Q.* What do you mean by Free Trade, which you say you are in favour of in your written evidence?

A. I say the ultimate goal is Free Trade.

9187. *Q.* For the time being you are not at all for Free Trade?

A. Yes, at once in all possible cases.

9188. *Q.* You are in favour of Protection to such industries which are likely to develop there and likely to benefit the country?

A. Yes.

9189. *Q.* Do you include cloth among the necessaries of life?

A. Yes.

9190. *Q.* I find you want to protect those industries which supply the necessaries of life. I also find that you include cloth. Still I cannot understand why you are in favour of imposing or rather retaining the excise duty which is at present imposed on cotton mills. Will it foster industries?

A. I have explained that an excise duty may only prevent the export of the produce of these mills to other countries.

9191. *Q.* My own impression is that an excise duty, instead of fostering the industry, rather kills the industry and it also increases the price to the consumers. You are in favour of development of industry. I do not understand how, by imposing an excise duty, you can ever foster the industry or can even cheapen the price to the consumer.

A. My idea was that until the country has too abundant a supply for its own consumption, the home manufacturers would supply the people and excise duty may to some extent prevent him from exporting his manufactures before the Indian people are supplied.

9192. *Q.* I do not understand that. I would not press it. Regarding some industries in your province, you just now said that the tea planting industry was one of the chief industries. But you did not like that foreign capital should come to this country any more. Is that your opinion?

A. I did not say it should not come. As far as possible it will be better to avoid it.

9193. *Q.* Do you know whether the tea planters are popular or unpopular in your province?

A. As a body and as distinguished from the people, at least, the present leaders of the people, I should say they are definitely unpopular.

9194. *Q.* Will you kindly explain to me what is the reason, if as a matter of fact, they are doing so much for the people, for their unpopularity?

A. Owing to the domination that they have over the industries and the people as a consequence.

9195. *Q.* That is the general impression among the people?

A. Yes, and that is made much of by the wild class of politicians.

9196. *Q.* Is there any great scope for paper industry in your province?

A. So far as grass pulp is concerned, I think there is much room.

9197. *Mr. Mant.*—*Q.* About the export duty on foodstuffs, I understand that you believe that export duty by reducing the price will stimulate the agriculturist to grow more in order to make both ends meet?

A. I do not say that definitely, but that is also one of the consequences. One idea is that he will reduce his crop because he cannot get enough prices, but he has to get his money somehow and must get it out of agriculture.

9198. *Q.* It is rather a novel view. I was wondering whether you could quote any authority. Have you studied economics at all?

A. I cannot say I am an economist or an expert in political economy.

9199. *Q.* The ordinary economic teaching is that when you reduce the price of a commodity, you reduce the production; and you on the contrary hold that it will increase the production. I was wondering whether you had any other authority for that view or whether it is just your own idea?

A. I cannot cite any authority, and all I would say is that by running after money by making the price of foodgrains dear is like chasing a wild goose. You go on trying to increase money without really increasing the real supply of necessaries of life. If you sell rice to-day at Rs. 4 a seer and have to pay to-morrow Rs. 6 for an umbrella for which you pay Rs. 4 to-day, it does not ultimately mean much benefit to the people. It is only the increased value of the thing that you see in silver and gold but the real necessaries of life are not supplied better by them in any way: the more money you fetch in return for your food, the more other things become dear.

9200. *Q.* Assuming that, the value of money would rise with the reduction in price of foodstuff?

A. Yes.

9201. *Q* You are aware that the cost of land varies very much with the quality of land. Some lands are very much better than others and produce more and better crop, and there is a good deal of poor land that pays people to cultivate at the present prices. If you reduce the prices, will not a lot of that land go out of cultivation?

A. Yes; unless he finds some other outlet for his living, I think he will be bound to go on extending his cultivation. He will try to make the land more yielding or spend more labour on it in order to get a better crop.

9202. *Q.* How will he be able to afford it, if his income is reduced? He would not be able to increase his expenditure.

A. He would increase his labour.

9203. *Sir Maneckjee Dadabhoy.*—*Q.* What is your staple food grain?

A. Rice.

9204. *Q.* Do you export rice very largely from your province, or is it consumed locally?

A. A good quantity is exported to Bengal and Behar.

9205 *Q.* Does it go outside British India?

A. I cannot say.

9206. *Q.* I understand you favour a heavy export duty, because it will lower the price of food grains?

A. Yes.

9207. *Q.* That is your only idea?

A. Yes.

9208. *Q.* Do you know that in 1920 there was total prohibition of export of wheat from India?

A. No, I do not know.

9209. *Q.* I may tell you also that there was no fall in the price after the prohibition. Would you modify your view after hearing this fact?

A. Unless I hear the reasons as to why export was stopped, I could not modify my view. Was it owing to famine?

9210. *Q.* They thought they had not sufficient for the country and ultimately it was found that there were stocks. They were not quite correct, but still they were to a certain extent correct. But all the same, the prices did not fall but prices increased. After hearing that, will you stick to your view or are you prepared to modify it?

A. I am not inclined to modify it yet. There may have been many extraneous reasons which brought about those results. Other things may have been very heavily charged.

9211. *Q.* If the price of foodstuffs are very low, there would be no margin of any kind and no saving left in the hands of the agriculturist?

A. He would still sell the spare quantity.

9212. *Q.* The margin would be very narrow?

A. Very narrow in proportion to the calculation of the money value, but as I say, money value will be reduced.

9213. Cancelled.

9214. *Q.* That would divert the land from the staple crop to other crops?

A. I am not inclined to think so. I have never seen the agriculturist give up his ordinary cultivation.

9215. *Q.* Are there big Indian capitalists in Assam?

A. I should say none.

9216. *Q.* You said in answer to Mr. Rhodes that large concessions of land were given to European settlers. Did Indians apply for similar concessions and were they refused?

A. When concessions are given, they come to all. But one set of people cannot utilise them for want of money, the other set can.

9217. *Q.* If that be the case, would you favour foreigners coming and establishing industries which will bring money to poor people in Assam?

A. As I say, you get one advantage, but considering all the disadvantages, the less it is encouraged the better though you have certain advantages.

9218. *Q.* I would refer you to your answer to Question No. 3. You think that cloth is a necessity for the poorer classes, and that they require cheaper cloth by new mills constructed in the country to meet the local demand?

A. Yes.

9219. *Q.* And yet you want to put a heavy duty on machinery. How will your object be accomplished? You recommend a scale of heavy duty on machinery. How could that be done?

A. I only say that facilities should be afforded to manufature machinery here, if possible: in this particular case, you may make a reduction in the particular machinery which is required for the industries which you are going to develop.

9220. *Q.* By stating that mill machinery should not be taxed?

A. Mill machinery imported for industries which you are going to develop should not be taxed.

9221. *Q.* This would apply to all other industries which India wishes to develop?

A. Yes, when such development of the industry concerned is taken up.

9222. *Q.* Then I understand that you are in favour of supporting industries by a system of discreet Protection?

A. Yes.

9223. *Q.* In pargraphs 6 to 8 you say, "I think it is the import duty which primarily affects the raising of price to the consumer more than an excise duty in such cases. If competition is limited by the import duty, the manufacturer would not perhaps risk his trade by adding the excise duty also to his manufactures sold at home." I do not exactly understand this. What do you mean by this?

A. When there is an excise duty on his manufacture, the home manufacturer would not increase his price for the excise duty in India.

Witness No. 63.

Messrs. Turner, Morrison and Company, Limited, 6, Lyons Range, Calcutta,

Written statement, dated 4th January 1922.

Sections A. & B.

We are not dealing with, *in extenso*, but merely refer to them in passing to indicate the trend of our eventual arguments under C.

A.

9224. *Q.* 1. We favour Free Trade in preference to Protection, because, under the former, everything finds its own level and geographical considerations rule. We have no objection to the imposition of Customs duty for the purposes of obtaining revenue.

9225. *Q.* 2. We consider a tariff a more suitable mode of taxation than direct taxation, because a tariff is a tax on an individual's spendings whereas by direct taxation the individual's savings are taxed also, whereas savings should be encouraged as increasing the prosperity of the country in so far as it provides capital for further industrial development, the need of which has been greatly felt in India for a long time. If fresh taxation were necessary, we would, prefer an increase in Customs duty, etc., to an increase in direct taxation.

9226. *Q.* 5. The existing policy has fostered the steady growth of Indian industries, its continuance will foster further growth at a pace commensurate with the development of an industrial population out of the agricultural labourers and of a supervising class from the clerical middle class. It has also built up a number of trade capitalists whose tendency is to sink their capital in further industrial development.

9227. *Q.* 6. We do not approve of excise duty on an article manufactured in India being imposed, because duty is imposed on a similar article imported from abroad; as this is not Free Trade and must increase the cost to the consumer as will appear from our answer hereafter to Question No. 68.

9228. *Q.* 9. Experience has shown over and over again in England during recent years that tariffs framed to foster certain home industries invariably reflect equally harshly upon other home industries. The legislation to protect the Dye Industry in England has made it cost such a body as the Calico Printers' Association a price of about 2½*d.* per yard to dye their cloth, which kills their export trade.

9229. *Q.* 11. Free Trade provides the cheapest article for the greatest number of people. The argument for protecting certain industries was, in the case of India, usually for establishing them and to make employment. Our experience is that there is ample employment in India for all who choose to do a good week's work. The general trouble of established industries is, scarcity of labour.

9230. *Q.* 19. Conflicts would most certainly arise between importers of raw material who ask for Protection and manufacturers who wish the raw material as cheaply as possible, and that is why there is such a perpetual controversy on the subject of Free Trade *vs.* Protection.

9231. *Q.* 20. We consider that if import duty is imposed it must ordinarily be passed on to the consumer and especially so, when the tax is on the 'consumer's unit.'

9232. *Q.* 26. We consider that the existence of a tariff which is suggested should be used as an instrument for bargain with other countries, would not be advantageous to India, because by means of it you make as many enemies as friends; therefore its value is extremely questionable.

9233. *Q.* 32. At the risk of a charge of inconsistency, we must say we do consider it advisable to impose export duty on certain raw materials in order to encourage their retention for manufacture in India. To quote one example, sticklac, which in many years is exported in its semi-crude form of seedlac, that is after crushing to take out the sticks and washing to take out the dirt. In such a case as this, where the raw material is an exclusive product of India, it seems to us a pity to allow the raw material to be exported and the natural manufacturing profits lost to the country. In this answer we must be understood as applying only to raw materials of which India has the monopoly.

We now come to the main point of our answers.

C.—Manufactures.

We are interested in the manufacture of paints, colours, varnishes, ropes, shellac, sugar, machinery, cotton goods, foodstuffs and sulphate of ammonia. It is upon the whole of these that our answers are framed.

9234. *Q.* 44. Yes, there must be natural advantages for these industries in India, or we should not be working them to a profit. We have in all of these articles great advantages in the supply of raw materials which are produced in the country, though in some instances this is to some extent lessened by the Railway freight over the great distances which they have to be brought to the place of manufacture. On the other hand, when manufactured they are immediately near to the markets for off-take.

9235. *Q.* 45. Most of these industries were considered essential during the war to the national security, and in peace time, they are of considerable importance to the economic prosperity of India, seeing that a great many of them, though finished manufactures with us, are used as part of the manufactures of a great many other concerns.

Comparing the manufactures of India with those in other countries:—

(A) Our paint, colour and varnish company, shellac factory, sugar works, flour and cotton mills are the only works operating on a scale similar to that of large works in England. They are in some respects on a larger scale, in so far as we have to do in India certain work on raw materials before we used them which is not done in England, where facilities exist for buying

raw material in a more advanced stage and more suitable to the immediate purposes of their manufacture.

9236. *Q.* 46. Our coal tar distillation industry is still in a preliminary stage of development and is working at a loss yet we do not ask for Protection on its behalf. If having its own raw material in India, it cannot eventually pay its way, it will be our own fault or an error in establishing it for reasons of which we are at present unaware. We say that, if with the natural advantage of raw material and actual consumption in this country, it cannot exist, it is no use propping it up. The capital and labour would far better be employed in some other more remunerative industry.

9237. *Q.* 47. Our industries mostly find their markets in India and adjacent thereto, except shellac, which is practically all exported.

9238. *Q.* 48. In all these articles, our industry has to meet competition from the United Kingdom, the Continent, America and Japan; but it may be said that we manage to exist against this competition by virtue of our geographical situation in regard, firstly, to the obtaining of our raw materials and secondly, to our being near to the consumers without having to meet expenses of ocean freight, etc.

9239. *Q.* 49. Competing countries have their advantages also or they would not be able to compete at all. Nevertheless, the advantages that India gives us are sufficient to enable us to withstand import competition.

9240. *Q.* 50. We claim that these industries do not need Protection with the exception of shellac, as mentioned in our reply to paragraph 32, and a good case can be made for sugar. A great deal of money has recently been sunk in this industry and it may require a good deal of help before it will generally prove remunerative in the face of competition from Java. Although India is one of the largest producing countries, it is also one of the largest importers.

9241. *Q.* 59. The paint industry uses as raw material the finished product of other industries in India in the shape of steel, rope, lead, certain chemicals, linseed oil, turpentine and resin. Rope making uses hemp grown in India, shellac uses sticklac grown solely in India, sugar uses both indigenous cane and imported low grade sugars. Machinery uses both local and imported steel. Our cotton mill uses almost entirely Indian cotton. Our flour mill uses almost entirely Indian wheat and our sulphate of ammonia is made from a by-product of Indian coal.

9242. *Q.* 60. Opposed as we are to any general system of Protection, still if one be enforced, we would say that a system under which all industries, receive uniform Protection is obviously preferable to one under which varying amounts of Protection would be given. Under the latter system, frequent alteration would be inevitable, and since the degree of alteration would generally be considerable it would cause great dislocation compared with which a system of uniform Protection as evidenced by recent tariff changes, does not cause dislocation of trade.

As already indicated, we do not ask for Protection for any of these Industries. Far rather, do we ask for Free Trade to be enabled to sell our products here, there and everywhere and in the same way to buy such raw materials as are not economically available in this country.

D.—Export Trade.

9243. *Q.* 61. We export large manufactures of paints, colours, varnishes, ropes, shellac, cotton goods, foodstuffs, sulphate of ammonia from time to time in different quantities and at different seasons to different destinations in the United Kingdom, Australia, South Africa, the Straits, the Far East, New Zealand and New York, with the exception of machinery, of which we believe there is very little export.

9244. *Q.* 62. We are interested in the export of jute, but as jute is a monopoly of Bengal, we do not think that the export duty has any serious effect on trade in the case of manufactured goods. We are of the opinion that the export duty does not place India out of competition with Dundee or other producing centres who have first to import their raw material from India.

9245. *Q.* 65. We do not think the export of any articles in which we deal would be stimulated by the preference rate created by the United Kingdom or any of the Dominions or Colonies, because articles in which we deal have, in their initial stages, so many geographical advantages which place them in a position to be self-supporting when properly and economically run with the best of tools and ample capital.

9246. *Q.* 68. If owing to the system of Imperial Preference, the imports from certain countries are diminished, we consider that this would tend to have an injurious effect on the volume of Indian exports to those countries. Imports can only be paid for by any country more or less by its own exports (even though these may be expressed in money rather than in goods, or through a third financial centre rather than through the direct operations of importers and exporters between any two specifically named countries) apart from which any duty or tax or preference raising the price of a commodity inevitably tends to lesson the consumption thereof.

E.—Import Trade.

9247. *Q.* 72. We consider that a preferable increase of the present tariff rates would certainly damage the volume of imports, because any serious enhancement of prices must curtail trade. It is an axiom that high prices reduce consumption in almost everything.

9248. *Q.* 78. We do not approve of the system of *ad valorem* Customs duty and would prefer a specifically fixed charge on an amount, weight or measure. It is easier to calculate. A merchant may buy an article for £100 late in January and simultaneously sell it here for £110. but if when it gets here, say, at the end of June, the value should be £200, a duty *ad valorem* would wipe out his profit. A fixed duty per unit has no such objection.

Our answers to detailed questions, as above, point markedly to Free Trade as our axiom and the exceptions we have made are very few.

We desire, however, to add to this general principle that whilst we are opposed to Protection, we are not entirely opposed to reciprocity and that we have not felt called upon to deal with certain articles, the production of which in this country, in time of war, would be essential, but which a war might find us unprepared with, unless some form of Protection or encouragement had been given beforehand to those particular essentials.

Mr. W. S. J. Willson of Messrs. Turner, Morrison & Co.,

Oral evidence, Calcutta, the 10th January 1922.

9249. *President—Q.* Mr. Wilson, you represent the firm of Messrs. Turner, Morrison & Co., and you are interested in the manufacture of paints, colours, varnishes, ropes, shellac, sugar, machinery, cotton goods and foodstuffs?

A. Yes.

9250. *Q.* These are all factories which you are now working; except in the case of one which you indicate, you have successfully established these manufctures?

A. Yes.

9251. *Q.* Will you kindly tell us whether each one of these industries is worked as a joint-stock company or a private enterprise?

A. All of them as joint-stock companies.

9252. *Q.* Can you tell us when these companies were registered, within what period of time?

A. Sugar must be 50 or 60 years old, shellac must be 40 or 50 years, and the others, we might, say all within the last 20 or 25 years.

9253. *Q.* That is to say, that all these companies had a sufficiently long period of actual working before the war?

A. Yes, except the one that is not yet successful.

9254. *Q.* And before the war period they were earning a fair dividend?

A. Yes.

9255. *Q.* So that the results of high prices and special conditions that prevailed during the war did not really materially affect the establishment of these industries, though they may have given a larger profit?

A. Yes, we had surmounted all the initial difficulties.

9256. *Q.* In regard to these industries you have had no difficulty in finding capital?

A. No.

9257. *Q.* You favour Free Trade in preference to Protection because you think that under certain conditions industries can be successfully established in India without any help or any protection?

A. Yes.

9258. *Q.* Do you think that these industries could be established on a sufficiently big scale to meet most of the needs of India, in regard to manufactured goods without some form of special help?

A. I have no reason to doubt that. All our industries, as I have mentioned, are steadily expanding and I see

no reason why there should be any limit to their expansion.

9259. *Q.* You know that the Government of India have adopted a policy of revenue tariff?

A. Yes.

9260. *Q.* Has that been of any help in the direction of protecting any one of these industries?

A. Well it must be in a way, because of course, anything that comes in to compete with us has to pay the revenue tariff.

9261. *Q.* Supposing there was no import tax for revenue purposes, and that the country had absolutely Free Trade without any Customs duty either export or import, would these industries have been equally successful?

A. As some of these were in existence at the time when the tariff rate was extremely low, I think the total abolition of duty would not have affected us.

9262. *Q.* Take the case of the sugar industry. It has the import tariff of 15 per cent. Do you think the sugar industry could stand without it?

A. You will observe that I have made reservations in regard to sugar for the reasons I have stated in my letter, and, on the whole, I am inclined to think that some Protection might fairly be given to sugar at the present time.

9263 *Q.* You think that where there are special conditions prevailing in India, such as the raw material being available on the spot and comparatively cheap labour and a market in India, then these are adequate conditions for the establishment of an industry, and for that reason India can successfully compete with foreign countries in imported goods?

A. Yes.

9264. *Q.* Do you know of any other country which has developed substantially in industries without, at some period of its existence, receiving some form of Protection from the State?

A. I think that question is difficult to answer, I do not know for example, what sort of Protection Italy might give to her paintworks.

9265. *Q.* Take the case of the United States of America which has most of the advantages that you have enumerated in regard to India. America has developed industrially on a substantial scale by the help of protective tariffs. It would be interesting for us to know whether there is any country similarly situated which has sucessfully established a large number of industries, required for its needs, without some form of help from the State?

A. Well, India.

9266. *Q.* Do you think that India has substantially developed in industrial matters; that having regard to the size of India we have got an adequate number of industries in this country?

A. No, I do not.

9267. *Q.* That is why I ask whether you can indicate any other country which has developed to a sufficient extent in industries without some form of State aid?

A. Leaving England out of the question?

9268. *Q.* You may cite England if you like because I am told that England had some sort of Protection at some stage of her development. What do you think of America?

A. Of course, America is a notable example. At the same time we here in India are able to manufacture goods, and we are actually able to export in competition with America; and so do other countries.

9269. *Q.* What goods?

A. We send our paint down to Singapore, we send our shellac into America.

9270. *Q.* America has its protective tariff and yet we manage to sell our stuff in America in competition with American manufacturers. It is made from the Indian raw material?

A. Quite so.

9271. *Q.* But then you have got the advantage of having the raw material a monopoly of India in regard to shellac? If you can give us other instances, it would be of very great help?

A. I would rather avoid the rest of that question. I know what we do ourselves, but I would not like to say what others do.

9272. *Q.* You, then, cannot give us a case of any country which has developed on a substantial scale its industries without State aid?

A. I would rather not go into that.

9273. *Q.* At the end of your answer to Question No. 19, you mention the controversy between Free Trade and Protection. The result of the controversy has been that most of the civilized countries have adopted Protection. Is not that so?

A. Of course, I am aware that a great many countries are protected.

9274. *Q.* In answer to Question No. 26, you say that "we consider that the existence of a tariff which, it is suggested should be used as an instrument for bargain with other countries would not be advantageous to India, because by means of it you make as many enemies as friends; therefore its value is extremely questionable." In what sense do you use the words "is not advantageous to India"?

A. I meant it rather in a relative sense, that you lose as much as you gain, so I did not see any advantage.

9275. *Q.* But a trade agreement is generally regarded as mutually advantageous, is not it?

A. You may make an agreement which may be apparently advantageous both to A and B, but C may object to it and C may, in consequence, make it to your disadvantage.

9276. *Q.* But, as a matter of fact, several countries have entered into trade treaties because they believe it is mutually advantageous and they must have taken the balance of advantage to be in favour of the treaties?

A. Yes, they must have thought so.

9277. *Sir Maneckjee Dadabhoy*—*Q.* I draw your attention to your answer to Question No. 5. You say "the existing policy has fostered the steady growth of Indian industries, its continuance will foster further growth at a pace commensurate with the development of an industrial population out of the agricultural labourers and of a supervising class from the clerical middle class." I understand you to say that in your opinion a protectionist policy is not necessary, because the present progress has been made under the existing fiscal policy?

A. Yes.

9278. *Q.* Now, when you refer to the existing fiscal policy, I presume you refer to the fiscal policy enunciated by the Government of India in 1920?

A. I am referring to the time before 1920 really. I say India, as a Free Trade country, has developed.

9279. *Q.* Then, do you with this Commission to understand that the policy of the Government of India before 1920 was in any way of a protective nature?

A. No.

9280. *Q.* It was a Free Trade policy?

A. Yes.

9281. *Q.* You are also aware that in 1921 for the first time heavy import duties of a protective character were imposed in the country?

A. Yes.

9282. *Q.* You are also aware that before that, during the period of war Indian industry received a natural stimulus from want of free exchange of communication between England and India?

A. Yes.

9283. *Q.* But for these reasons, namely, the fiscal policy enunciated by the Government of India in 1921, and the impetus given during the war, there would not have been much industrial progress in the country?

A. No, I do not think that that necessarily follows. I think the industrial progress of the country would have continued to be gradual.

9284. *Q.* I understand that in answer to the President's question you said that, considering the resources of India, the progress made has not been adequate?

A. Yes.

9285. *Q.* And this fiscal policy which was of a protective character in 1921 has given a great impetus to the movement, has not it?

A. That is not the only reason. I mean, whenever you get a trade boom, there will always be the establishment of new works and so on.

9286. *Q.* This trade boom, when did it come, after the war, or before the war?

A. After the war.

9287. *Q.* Was there no trade boom before the war?

A. You always get trade booms and trade lumps periodically.

9288. *Q.* I gather, from the remarks which you have made, that you would like to see the present policy adopted by the Government of India to be continued?

A. Yes.

9289. *Q.* It will in your opinion accelerate the progress?

A. I do not know whether "accelerate" is quite a good word.

9290. *Q.* Can you say that progress is not due to sufficiently heavy duties?

A. Yes, but I look upon the import duties at present as largely for revenue.

9291. *Q.* But they are of a protective character?

A. Yes, they have a protective character

9292. *Q.* Now, I would just draw your attention to your answer to Question No. 32. "In such a case as this, where the raw material is an exclusive product of India, it seems to us a pity to allow the raw material to be exported and the natural manufacturing profits lost to the country. This answer must be understood as applying only to raw material of which India has the monopoly". You refer to jute?

A. No, I refer to shellac.

9293. *Q.* Would you not go a little further and say that where there is raw material in the country, where there is capital, where there is cheap labour and where there is a home market—the four factors to make a nation great—You would allow those things to be retained? Would you not give a sort of a temporary support?

A. The difficulty is in the use of the word "temporary." "Temporary" is a most dangerous thing. because a temporary measure generally becomes permanent.

9294. *Q.* If you find that the country has got these four things namely: (1) natural resources (2) capital (3) cheap labour and (4) home markets also. You would then certainly give State help to make it self-contained?

A. In my answer I have stated that I have considered it unnecessary.

9295. *Q.* You do not think that any thing like a push on is necessary?

A. No, because in that case, you are pushing on the wrong side.

9296. *Q.* You do not mean to say that you would not give any help to an industry which is not, if you are convinced, likely to succeed?

A. I do not believe in waisting money in propping up a bad case.

9297. *Q.* Why do you assume that it would be a bad case?

A. Because, if it is a good case, I consider it will be able to stand on its own legs.

9298. *Q.* Am I to understand from your answer that any industry which does not succeed in India has got a bad case? Would you go to that extent?

A. Yes.

9299. *Q.* Take for instance, the glass industry. Has it got a bad case in India?

A. I am afraid I do not know much about glass.

9300. *Q* You know there are raw materials and there are other things, but there are various difficulties for the industry to prosper?

A. But when you get a big firm like F. W. Heilgers and Co., and they start a glass factory here, I should say that it did not want much help. It would only be a question of finance and they could put it up.

9301. *Q.* Do these remarks, which are of a general nature, apply to all industries?

A. Of course, you understand my remarks are of a general nature.

9302. *Q.* You have given due consideration to all the various industries which could be reasonably started in the country?

A. Generally speaking, I am a free trader.

9303. *Q.* I quite see that, and that is why I am asking you the question.

A. I always consider that Free Trade has the best of the argument and that is why I have remained a free trader.

9304. *Q.* How do you reconcile this statement with the concluding portion of your written statement where you refer to certain articles the production of which is essential "but which a war might find us unprepared with unless some form of Protection or encouragement had been given before hand?"

A. I am quite prepared to admit that it is necessary to protect certain industries but, of course, I am not competent to give a list.

9305. *Q.* You are prepared to admit that certain industries be encouraged so that India may not be dependent in "war time"?

A. Yes..

9306. *Q.* Am I to understand that you refer to key industries?

A. No, I do not refer to key industries at all.

9307. *Q.* Take iron and steel. Would it not make India independent in time of war if we have a steel industry in the country?

A. That would depend upon the size and the duration of the war.

9308. *Q.* Would you give Protection to the steel industry or not?

A. I do not give any more Protection to it than it is getting and has had.

9309. *Q.* I may remind you that the Government made large purchases of rails, etc., for some years from Tata and Co. That was at competitive rates?

A. At prices satisfactory to both sides.

9310. *Q.* Do you say that contract with Tatas was placed at a rate higher than what they could obtain in the ordinary market?

A. That I do not know.

9311 *Q.* Then there can have been no Protection?

A. I understood that it would be a "helping" price.

9312. *Q.* You say "our experience is that there is ample employment in India for all who choose to do a good week's work?"

A. Yes.

9313. *Q.* You mean to contend that India needs no artificial assistance?

A. None for the purpose of creating work from the labourer's point of view.

9314. *Q.* You are aware that all the European countries have now established a protectionist policy, except Great Britain. You are also aware that Great Britain has been latterly drifting towards the policy of Protection; for instance, the safeguarding of Industries Act. Yet you are not prepared to extend a similar sort of Protection to us?

A. No, because now that the war is over, they find they are handicapped by all those protective measures.

9315. *Q.* They are handicapped?

A. Yes. I gave you one illustration in my note.

9316. *Q.* I would like to ask you to explain what you have stated in your answer to Question No. 60. You say that a system under which all industries receive uniform Protection is obviously preferable to one under which varying amounts of Protection would be given. How is that possible? Will you illustrate it?

A. What I am afraid of is this: that if you have a different grade of Protection, there will be a lot of political influence used to secure particular protection for particular industries.

9317. *Q.* Political influence will be used?

A. Yes. A lot of lobbying in fact.

9318. *Q.* At any rate that would not be a phenomenon peculiar to this country. Would it be?

A. No.

9319. *Q.* Other countries have survived it, and India perhaps, would also survive these baneful influences?

A. Yes. India has survived many plagues.

9320. *Mr. Mant*— *Q.* I do not quite follow your remark in answer to Question No. 6. You say that excise duty must increase the cost to the consumer. But your answer to Question No. 68 does not seem to me to give any reason why the excise duty will increase the cost to the consumer?

A. Obviously, at least in my opinion, any charge that you put on an article must increase the cost.

9321. *Q.* But supposing, as in the case of the cotton duties, there is an 11 per cent. import duty and a 3½ per cent. excise duty; how does the excise duty increase the cost to the consumer?

A. Because the buyer eventually has to pay the 3½ per cent. excise duty.

9322. *Q.* Why?

A. Because, I think everything is always passed on to the consumer.

9323. *Q.* Take it step by step. The manufacturer of cotton in this country sells it at as near to the competitive price as he can. Does he not?

A. Yes.

9324. *Q.* The competitors from abroad pay 11 per cent. duty. So his prices tend to rise to that level?

A. Yes.

9325. *Q.* If you put on a 3½ per cent excise duty, he will not put it up to 14½ per cent. He cannot raise it so much?

A. Of course, if you have an import duty of 11 per cent. as you say, the manufacturer is going to sell his article at as near the price as he can get of the other man paying 11 per cent. duty. In that case the 3½ per cent, excise duty might not be directly passed on, but if the excise duty were the same 11 per cent, it must be definitely passed on.

9326. *Q.* You say that the import duty makes him raise his price, at least enables him to raise his price, by approximately 11 per cent. If you put on an excise duty of 11 per cent., it can not be raised any more, because the foreign goods will come in?

A. But in that case, he will have got the full 11 per cent.

9327. *Q.* But he does it already, on our premises?

A. He has got to compete as much as he can. If he is not in a position to get say, 8 per cent, he might be content with 5 per cent and do business.

9328. *Q.* Does he do that?

A. I think so. He has got to sell his goods for the best price he can get of course.

9329. *Q.* Then you will have to modify your answer to Question 6, to this extent that if the excise duty is as large as the import duty, then a certain amount of it may be passed on to the consumer

A. If it is as large as the import duty, I should say the whole is passed on to the consumer.

9330. *Q.* How is it?

A. In this way. If it costs you Rs. 15 and you have got to pay Re. 1 excise, you are not going to sell below Rs. 16.

9331. *Q.* But you have just told me that the 3½ per cent. excise duty is not passed on?

A. I do not think I said it was not passed on, or, if I did, it was not exactly what I meant. I mean that the difference between 3½ per cent. and 11 per cent. is so great that the seller obviously gets as near to the full price as he can. If he only pays 3½ per cent., he has got a competing margin, and if he uses that margin and sells cheaper, the buyers will get things cheaper.

9332. *Q.* But I understood that you came to the conclusion that practically the manufacturer pays the 3½ per cent, as you say that if the excise duty is the same as the import duty, then the whole of it would be paid by the consumer?

A. I say so, generally speaking. I say that whatever the cost of an article, it is all passed on to the consumer. I mean that nobody is going to manufacture anything and sell it without passing the total cost of it on to the consumer.

9333. *Q.* But you have got the import duty. That effect has already been produced by the import duty. The excise duty cannot come in and raise the price further?

A. I do not quite follow you.

9334. *Q.* The import duty provides the level of price affected? Is it not?

A. Yes. It provides the maximum price really.

9335. *Q.* The general tendency is to work up to that?

A. I quite admit that.

9336. *Q.* Then I cannot understand how the excise duty would further increase the price. The producer cannot go above the maximum?

A. I do not think I said that.

9337. *Q.* I thought you did. I was only trying to arrive at that conclusion.

A. My point is that, all costs, whether excise duties or others, are passed on to the consumer. You turn it round the other way and say: "If you take off the 3½ per cent. excise duty, will the consumer get it any the cheaper?" I say that it does not necessarily follow.

9338. *Q.* Below that, referring to Indian labour, you say that the general trouble of established industries is the scarcity of labour. Is there an ample supply of skilled labour? You are referring to unskilled labour?

A. No. My experience in the 23 years I have been in India has been almost one of perpetual shortage of labour in this or that industry from time to time. It has existed from the day I came to this country up to now, and I say it is perpetual.

9339. *Q.* Both skilled and unskilled labour?

A. Yes. We always seem to be stuck for labour everywhere.

9340. *Q.* Except, of course, during periods of famine when Government has to open works to provide employment?

A. That is an exception, of course.

9341. *Q.* Coming to shellac, I think you will admit that, in asking for an export duty, you are departing o m your principle of free trade.

A. Yes. I have said so.

9342. *Q.* If you put an export duty on stick lac would not that duty be paid by the foreigner?

A. Yes.

9343. *Q.* The industry being advanced, you are exporting your manufactured goods?

A. Yes.

9344. *Q.* Practically you have a monopoly of it?

A. We had evidence of that during the war, when we had what was called the shellac Committee which imposed a virtual cess upon all exports of shellac in order to give Government here shellac at considerably below cost price. We had to give one maund to Government for every 4 or 5 maunds exported. The export price was Rs. 100, and we gave to Government at Rs. 40. We lost Rs. 60 on one maund. We gave Government at Rs. 40, and made up the loss on what we exported to foreign countries. They paid the price.

9345. *Q.* Price followed the law of demand?

A. As a general principle, yes.

9346. *Q.* It might reduce the demand for the finished product?

A. Yes, except that the stick lac crop is so short that there is not enough to go round.

9347. *Q.* Are there other firms manufacturing this shellac?

A. There are hundreds of people making shellac, but not on the same scale as ourselves. We stand alone in that respect.

9348. *Q.* They are making good shellac?

A. Yes. They make by hand.

9349. *Q.* They would all get the benefit of an export duty?

A. Yes.

9350. *Q.* Coming to sugar, in which you have suggested a departure from Free Trade, you say that sugar uses both indigenous cane and imported low grade sugars. Paying a duty on these low grade sugars would rather hamper manufacture?

A. Yes. Of course, there are two kinds of sugar industries in India. There is the production of sugar from the indigenous article, and also our own production from imported low grade sugars. This pays a substantial duty now.

9351. *Q.* But you ask for a higher duty, I understand?

A. We pay 15 per cent. as the tariff on sugar, and 11 per cent is the general tariff.

9352. *Q.* When you suggest that a good case can be made for sugar, do you want a higher duty than 15 per cent.?

A. I take the view that a great many sugar factories have been established in the last few years, and a great deal of capital has been sunk in the industry. I am very much inclined to doubt whether some of these people will not pull up if they don't get some help, because it is possible now to import foreign sugar very cheaply. I have given you that as general information only. We make sugar from the imported article, but we intend to make the other as well.

9353. *Q.* If a higher duty is put on imported sugar, it will damage you?

A. Yes. It will damage our Cossipore sugar works.

9354. *Q.* This is an altruistic recommendation to make?

A. I put it to you as my honest opinion quite apart from the fact whether it pays me or not. But you need not think it too altruistic, because we intend to make sugar the other way as well.

9355. *Q.* The machinery manufactured here is made from using local steel I understand

A. It is comparatively small.

9356. *Q.* We have had a good deal of evidence lately asking for protection for the iron and steel industry.

A. We use a comparatively small amount. We are not interested in it. It will probably interest other people who know much better about it.

9357. *Q.* In answer to Question No. 62, regarding the export duty on jute, you say that you do not think that the export duty has any serious effect on trade in the case of manufactured goods. There is an export duty on raw jute also. Is there not?

A. The one balances the other.

9358. *Q.* I do not quite understand your special reference to manufactured goods. You do not imply that it had any serious effect in the case of raw jute?

A. No. We find that the jute tax has not affected our business in the least this export duty on manufactured goods.

9359. *Q.* The duty is on both raw and manufactured goods. It is purely a Free Trade tax?

A. Yes. It is purely a revenue tax.

9360. *Q.* About *ad valorem* duties you say that you would prefer a specifically fixed charge on an amount, weight or measure. You realise that it cannot apply to all articles. It would not apply to machinery, for instance?

A. No. You cannot apply it. I suppose you could not very well have a duty on machinery at so much a pound. It depends upon the machinery. Bolts and nuts could be calculated by the pound. Jute frames and cotton frames would have to be taxed differently.

9361. *Q.* There are also several other articles like these?

A. Yes. But you should adhere to specific duties as far as possible.

9362. *Mr. Birla.*—In your answer to Question No. 11 you say, "Our experience is that there is ample employment in India for all who choose to do a good week's work. The general trouble of established industries is scarcity of labour." Is your answer confined to skilled labour or does it apply to unskilled labour also?

A. It applies to both.

9363. *Q.* My information is all the other way. I have heard of people dying of starvation in times of famine

but I have not heard that there is scarcity of labour in this country.

A. You have never scarcity of labour?

9364. *Q.* I mean unskilled labour. I am not talking of Calcutta.

A. I should be much obliged if you could give me some labour in Assam now.

9365. *Q.* A number of people die of starvation because they cannot get employment. You might have heard of the Khulna famine, the Orissa famine. Practically, every year you get famine in India and people die of starvation?

A. I think they will always continue to die of starvation in famine years.

9366. *Q.* What is the reason? You mean that they won't work?

A. They won't migrate to places where there is work. I do not think it is possible to legislate for famine times.

9367. *Q.* Practically every year we have famine in India in one part or other, sometimes in Bengal, sometimes in Gujerat, and so on. There may be employment in towns like Calcutta and Bombay, but that is quite a different thing.

A. Why don't they go there?

9368. *Q.* They cannot get any employment and they have got no money.

A. You would not propose to take a protected factory near them as the remedy.

9369. *Mr. Rhodes*—*Q.* On the question of the industrial development of India, some people say that it would be an advantage to have protective duties, others say more capital is needed, others say more technical skill is needed, and yet others say that the building up of an industrial population is required. I would like to have your ideas as to which of these four you think essential?

A. I think they must all work hand in hand.

9370. *Q.* You referred to the absence of an industrial population in reply to Mr. Birla and Mr. Mant?

A. Yes.

9371. *Q.* Would Protection materially improve the chances of building up an industrial population?

A. My point is that you can build up your industries under Free Trade quite well enough.

9372. *Q.* You are not satisfied with the present development of the country, and you would like the development to be faster?

A. It is gradually increasing. Not only it is developing, but its rate of development is increasing.

9373. *Q.* You do not think that you can expedite the development by an import duty?

A. I do not think that it is the proper way to develop it.

9374. *Q.* I should like to ask a question in connection with sugar. You know that the Sugar Commission reported against any necessity for Protection?

A. Yes.

9375. *Q.* Do you favour that view of the Sugar Commission?

A. I have tried to make a case for Protection to sugar.

9376. *Q.* Against the findings of the Committee?

A. Yes, on the grounds I have given.

9377. *Q.* I asked Mr. Shakespeare in Cawnpore about this question. and he admitted that the industry in India is very much handicapped by several circumstances as well as cheap sugar from abroad, the things mentioned in the Sugar Commission's Report. I asked him whether he would prefer a 5-per cent. protective duty or a 1-per cent. duty which was handed over in the same way as an export cess to the industry to carry out the recommendation of the Sugar Commission, and he said that he would rather have the latter. I would like to have your views on that.

A. I am afraid I cannot give any views on that.

9378. *Q.* You have not formed any idea on the Sugar Commission's Report?

A. No.

9379. *Q.* Would you advocate an export duty on indigo as being a monopoly of India?

A. No certainly not.

9380. *Q.* Why?

A. Because it is almost a dead industry now.

9381. *Q.* Is not there a danger of export duties in the case of stick lac and jute leading to the same thing as happened in the case of indigo?

A. I should say certainly not.

9382. *Q.* Take the case of shellac, for instance?

A. No. I do not think so, because shellac has enormous fluctuations. I have sold shellac at Rs. 22 a maund and I have sold it at Rs. 220 also. I think that the fluctuations are so great that a comparatively small tax would not effect it.

9383. *Q.* Could you give me an idea as to what that comparatively small tax should be?

A. If you ask me to name a figure at haphazard I should say 5 per cent.?

9384. *Q.* But you are in favour of specific duties?

A. I think about Rs. 2-8-0 a maund would be a tax which it can very well stand.

9385. *Q.* As regards jute, is not there a danger that you would raise the price of jute goods to the foreigner and that he would go in for cotton substitutes?

A. I think the tax is very small in the same way as stick lac compared to the fluctuations of price.

9386. *Q.* Would you be afraid of raising that tax?

A. I am afraid of all high duties. But if taxation is low for revenue purposes, then I do not think it is likely to affect the industry.

9387. *Q.* You are interested in cotton mills in Bombay. Are you not?

A. Yes.

9388. *Q.* I want to get at the point that Mr. Mant was trying to get at. If Government want more revenue, I presume they would want to do it without injuring any industry and by putting as small a burden as possible on the consumer. Leaving aside handlooms, and assuming that the production of the Indian mills and the quantity imported are about the same, would you advocate a 10-per cent. duty on the imported article to raise the necessary revenue, or would you advocate a 5-per cent. consumption tax both on the imported article and on the local manufacture in the interest of the Government, the mill-owner and the consumer?

A. I think the Bombay cotton mill industry is entitled to the advantages of its natural situation.

9389. *Q.* If you want an extra 10-per cent. for purposes of revenue, would you raise it by putting the whole 10 per cent. on the imports, or would you put 5 per cent. on the imports and 5 per cent. on the home manufactures?

A. Of course, as a cotton spinner in Bombay, I must say "put it on the imports."

9390. *Q.* Then you will be putting up the consumer's price by 10 per cent., when the Government gets only 5 per cent. The Government would only be getting 10 per cent. from the imports, but the consumer would be paying this 10 per cent. both on the imports and the home manufacture?

A. It looks as if you are right.

9391. *Q.* You said that the mill industry is able to stand on its own legs Don't you think the consumer would be benefited by this 5 per cent. on both?

A. I think the consumer would be better off under your 5 per cent. duty on both.

9392. *Q.* And the Government would be no worse off?

A. The Government would be no worse off if the figures balance.

9393 *Q.* And the mill-owners would be no worse off than they are at present. I do not wish to interfere with the present duties at all. If you put up the import duty by 5 per cent. and if you levy an excise duty of 5 per cent., the mill-owners would not be worse off than they are now?

A. Then the mill-owners would not be worse off.

9394. *Mr. Coyajee.*—*Q.* In your answer to question No. 2, you compare the advantages of a tariff and of direct taxation, and you recommend a tariff because it is a tax on an individual's spendings. Might I suggest to you that a tariff by raising prices, and therefore the cost of living in a country becomes a burden on the poor?

A. My point is this. Take whisky as an example. If whisky costs 10 shillings a bottle and you put on 10 shillings duty, and make its price 20 shillings, if I object to pay the 20 shillings, I would not use it at all, or would use less.

9395. *Q.* Coming to the manufacture of colours, paints and varnishes, are there any other concerns in India besides yours, which are working successfully?

A. Oh, yes.

9396. *Q.* Where are they?

A. Which article you mean?

9397. *Q.* Paints.

A. I believe there are several other people who make paints in other parts.

9398. *Q.* Successfully?

A. I suppose so. There is nobody who does it on the same scale as ours.

9399. *Q.* I only wanted to know whether you have any special conditions on this side of India, or whether your advantages are common to all parts of India?

A. Well, of course, Calcutta is a very important centre; we are on the river, we have very good Railway facilities and so on.

9400. *Q.* Supposing a protectionist duty was levied on oil, which is a big ingredient in colours and paints, then of course, colours and paints cannot get their raw material cheap. Would you demand Protection for your industry then? The cost of your production will rise.

A. No, we use Indian oils.

9401. *Q.* Your colour, paint and varnish factories, are all on as large a scale as the foreign factories?

A. Yes.

9402. *Q.* Is it the same case with regard to your coal-tar distillation factory?

A. Our coal tar distillation factory is new, and it has not so far been successful.

9403. *Q.* You are aware that coal-tar industry is a very important industry for a country?

A. Yes.

9404. *Q.* Don't you think it requires Protection, seeing that you have not succeeded and that it is a very important industry?

A. I do not consider it requires Protection.

9405. *Q.* You think it will succeed in India without Protection?

A. Yes.

9406. *Q.* As you have not succeeded so far, how can you prophesy?

A. Because I think we have probably established it a little bit before its time, and I think its time is coming. We have the raw material in the country, and that must give a great advantage. We have a large amount of cheap coal, but we have been very badly handicapped by lack of Railway facilities. We frequently had to close our shops for want of raw materials to work with.

9407. *Q.* Now, as regards sugar, you know that there are a number of obstacles to the success of sugar manufacture in India, in connection with the processes of manufacture and land revenue and agricultural organisation. There is in fact a multiplicity of defects. Looking to these defects, don't you think that protection will have to be very heavy?

A. I am not so pessimistic as that.

9408. *Q.* The difficulties are there?

A. But the difficulties can be surmounted.

9409 *Q.* An expert in Cawnpore told us that a 33⅓ per cent. duty would enable sugar manufacturers to thrive here.

A. If the present duty does not enable them to thrive here they had better not thrive.

9410. *Sir Montagu Webb.*—*Q.* I understand from your very clearly written paper that you take what is generally known as the orthodox Free Trade view. But as opposed to that in answer to Question No. 32, you make such an extraordinary statement that I think I must ask you one or two questions. Why do you advocate an export duty on a product lac which is exclusively the product of India? Why do you ask for that particular exception?

A. Because I see the raw material is exported and I would prefer naturally to see only the manufactured articles exported.

9411. *Q.* If there is a good argument for putting on an export duty, should you not put it also on articles which are not a monopoly of India? If you are going to impose an export duty at all, why do you restrict it to an article which is a monopoly of this country?

A. Because, if it is a monoply, you can get your price in spite of the duty. My object is to increase the price of the raw material so that the manufactured article will be exported instead of the raw material.

9412. *Q.* The actual words you use are "to encourage its retention in India." We have heard this argument in various parts of India with regard to all products. We have had export duties advocated for the purpose of retaining the raw material in India for manufacturing it in this country. It is quite an intelligible argument, but it is diametrically opposed to Free Trade. What I am trying to suggest is: that if the export duty argument has any weight in the case of a monopoly article, it has four times that weight with regard to other articles which are not a monopoly?

A. I do not see that at all.

9413. *Q.* Because you can thereby keep them in this country?

A If you are a foreigner and you want to buy an article from me, if it is my monopoly you must pay the price I fix.

9414. *Q.* Or not buy it. Therefore the raw product is left in the country and it lowers prices here to the local manufacturers and thereby the local manufacturers are encouraged.

A. I do not think that follows.

9415. *Q.* It seems to me to be a fairly straightforward statement that if you handicap the export of a raw material, you *ipso facto* encourage the export of the manufactured article. Therefore put export duties on raw materials which can be manufactured in this country? We have had that argument frequently advanced

A. You say export duties on all raw materials (including oil seeds), but you have no monopoly of oil seeds.

9416. *Q.* That is all the more reason for putting an export tax, because it depresses prices in this country and therefore it encourages the local manufacturer. That is an argument which has been advanced before us with regard to several other products. I do not say it is a sound argument, but it appears to me to be on all fours with the Protection which you seek, for the monopoly articles,—in fact, a stronger argument.

A. No. I do not think it is a stronger argument.

9417. *Mr. Narottam Morarjee.*—*Q.* You say that the existing policy has fostered the steady growth of Indian industries. As you are interested in cotton spinning and weaving, can you tell me whether the mill industry was in a flourishing condition a few years before the war?

A. It paid good dividends.

9418. *Q.* Don't you know that many mills were sold?

A. That was in 1900. Some people may have sold, but others made very big profits.

9419. *Q.* Very few, but not all?

A. Possibly the management was defective.

9420. *Q.* Then you say in answer to Question No. 49: "Never theless the advantages that India gives us are sufficient to enable us to withstand import competition." I suppose you know that we have been driven out of the Chinamarket by the Japanese. Japan is buying cotton from India and is competing with our cloth. Why are they able to compete with and undersell us? The Chinese are importing more cloth from Japan?

A. Yes.

9421. *Q.* Do you think India will be able to withstand this Japanese competition much longer?

A. We have stood it all along up till now.

9422. *Q.* But now we are not withstanding it?

A. I do not think so. I think it will be difficult for you to turn to any more prosperous industry in India than the Bombay cotton mills.

9423 *Q.* You see the import of Japanese piecegoods into India was as follows:—

1912-13	6	millions of yards.
1913-14	9	"
1914-15	16	"
1915-16	39	"
1916-17	100	"
1917-18	95	"
1918-19	238	"
1919-20	76	"

How do you account for this growth?

A. Partly, of course, the stoppage of imports from Manchester: that had a lot to do with it. You have not mentioned that the import has decreased lately.

9424. *Q.* But we have lost the China market which they have captured?

A If they have State aid that would account for it.

9425. *Q.* If they have State aid in Japan, don't you think our industry too should be protected?

A. You say against this unfair competition?

9426. *Q.* Yes.

A. But you have got to prove your case first. I do not know if it is evident.

9427. *Q.* But if they are dumping their goods here?

A. If they are dumping by reason of State aid, then I am all for fighting it.

9428. *Q.* Then you are not a free trader of an extreme type?

A. I have rather dealt with that when I said I am not opposed to reciprocity. When I talk about reciprocity, my reciprocity will include hitting back.

9429. *Sir Edgar Holberton.*—*Q.* It appears to me that my friend Sir Montagu Webb has got hold of the wrong idea. I say this with all respect to him. You say you consider it desirable to impose an export duty on certain raw materials, but you really limit yourself to raw materials which are a monopoly of India, for when they are monopolies, other people are bound to buy them. The export duty has the effect of getting money into the coffers of the State.

A. But my reason for urging it is from the selfish point of view of the manufacturer who wants to sell the manufactured article.

9430. *Q.* You say you would distinguish the monopoly articles from others?

A. You can take your revenue out of it and at the same time encourage your manufacture without fear of loss of trade.

9431. *Q.* You think that the progress of Indian industries has been satisfactory up to date?

A. No, I do not think it has been.

9432. *Q.* Do you think it has been slow?

A. Yes, in some respects it has been slow. I do not call it satisfactory, but I do not think that the only remedy for that is Protection.

9433. *Q.* Do you think it would have been faster and more satisfactory if this country had had Protection?

A. No.

9434. *Q.* Do you agree to the usual expression of opinion that we hear that the prosperity of the United States is due to Protection?

A. No.

9435. *Q.* Do you agree that the prosperity of Japan is due to Protection? Or do you agree that Japan is not prosperous?

A. I understand that it is not at the present time.

9436. *Q.* Your point is that if these countries have succeeded they have succeeded really in spite of Protection?

A. The mere fact that they have succeeded is not a conclusive argument by any means in favour of Protection?

9437. *Q.* They may have succeeded more less by Protection?

A. England has succeeded equally or more so by Free Trade.

9438. *Q.* And the statement that we usually get from witnesses that England is rapidly becoming a protectionist country, you explain in your evidence by saying that England is still suffering from war effects and you consider that any Bills like the Safeguarding of Industries Bill would be only temporary?

A. The ramifications of Protection are very great and they ought to be avoided.

9439. *Q.* You would not go so far as to say that England is gradually becoming a protectionist country?

A. I say if the war has taught us anything at all, it has taught us that we do not want any interference by the State in any of our industries.

9440. *Q.* And you consider that the natural advantages, labour, capital, markets are all to be found in India?

A. Yes, they are all found in India, but why India has not developed faster is because it is so difficult to wake up the wealthy classes to the value of industries and to get them to put their money and brains into it.

9441. *Q.* You will work in partnership with Indian manufacturers?

A. Yes.

9442. *Q.* In fact, with anybody who is prepared to put up money?

A. And work the concern properly.

9443. *Q.* You have not found that there is a plethora of labour in India?

A. In everything I have undertaken, I have at some time or other been handicapped by want of labour.

9444. *Q.* With reference to Mr. Birla's question, you agree that those people who die for want of foodstuffs in the districts largely do so because they have not enough enterprise to come forward or they are not sufficiently well-advised to come forward and work in industries?

A. That is a very large question.

9445. *Q.* In any case you do not agree with Mr. Birla that they die because there is not enough work for them?

A. No, I do not admit that. I think if his statement is correct, the only thing to do would be to erect a protective factory there and work it there, and I think that would be absurd.

9446. *President.*—*Q.* You said in answer to Mr. Narottam Morarjee that if he could prove his case as regards the methods employed by the Japanese to compete successfully with the Bombay mill industry, you would hit back. You said your plea for reciprocity included hitting back when a case was made out?

A. Yes.

9447. *Q.* Now, I suppose you would take fiscal measures to hit back.

A. Always so long as it suits you.

9448. *Q.* Therefore you would adopt such fiscal measures as would suit you to hit back, in spite of your Free Trade policy?

A. I say: always so long as it suits you. If you try to hurt any other country by putting an export duty on your cotton, it might hurt you and I think that would be a mistake.

9449. *Q.* We are not talking of specific measures, but of general measures. I am merely asking you as regards your reply that you would hit back. You agree that the only method by which you can hit back would be by fiscal measures: it may be an export duty on cotton, or it may be an import duty on manufactured piecegoods, or it may be various other duties. These fiscal measures would not be Free Trade measures. So, you would qualify your Free Trade policy to that extent?

A. I am quite prepared to say with you that I would take measures to hit back, but before I take any measures to hit back I would make sure that those measures are not going to hit us back once again. In 99 cases out of 100 they would. My point Mr. President, is I do not want you to record that I would hit back without full thought.

9450. *Q.* I would accept any qualification you like to impose. What I say is, as I have understood Free Trade, it means that every other country in the world may do what they like with your trade, commerce and industries, but if you are a free trader, you must sit still with folded arms and submit to all they do.

A. No, I would not submit.

9451. *Q.* You would not do that for the principle of Free Trade?

A. Our recommendations are not made for the principle of Free Trade, but because it pays you.

9452. *Q.* Then you would depart from it?

A. I would.

Witness No. 64.

The Titaghur Paper Mills Company, Limited, Calcutta.

Written statement dated the 5th January 1922.

9453. The modern Indian paper industry may be said to have existed for the past 40 years. The pioneers were the Bally Paper Mills Co., Ltd., followed by the Titaghur Paper Mills Co., Ltd., the Upper Indian Couper Mills Co., Ltd., Lucknow, The Bengal Paper Mills Co., Ltd., The Reay Paper Mills Co., Poona, and the Imperial Paper Mills Co., Ltd. Of these, the Bally Paper Mills Co. and the Imperial Paper Mills Co. have been acquired by the Titaghur Paper Mills Co.

At the start the mills were prosperous and paid good dividends, but since 1904 the record has been one of steady declension of the prosperity until, prior to the war, the condition of the industry was giving grave concern to those responsible for carrying it on. After the starting up of the Imperial Paper Mills in 1898 there was a certain amount of over-production, but this condition has passed away and the annual consumption of paper in India still exceeds the capacity of the existing mills as at present constituted to supply.

We feel sure the Government of India would view with concern the extinction of the paper industry; in fact, it is admitted that the war has proved the *necessity* to Government of the mills during war, and in fact in Great Britain the industry has been admitted to be a key industry and essential to the well-being of a country. During the war for a long period, practically the whole of Government of India requirements had to come from the Indian mills, and it would appear that had the mills not been in existence, Government would have been seriously put to inconvenience for supplies.

As a result of war conditions the mills were making profits which were enabling them to write off arrears on depreciation and gradually to become

solvent. What gives the management most concern is the future. Competition has become severer than ever and much sooner than anticipated, and dumping is threatening the Indian industry with heavy losses again.

Prior to the war India was the dumping ground for paper from foreign countries, and every succeeding cold season brought an increase in the number of travelling agents, with the result, that outside competition became so severe that the Indian paper mills were hard put to it to keep going, and had these conditions continued, liquidation was only a matter of time.

In consequence of the present big surplus products in Europe and America, foreign and British supplies of paper are being forced upon the Indian market in excess of the country's consumption and yet there seems to be no easing off in the quantity of imports, and the state of the market in consequence is becoming more acute every day.

It is well-established that certain big European producers are sending their overflow stocks to ports such as Bombay, Calcutta and Rangoon with instructions for their agents to dispose of the same at the best rate obtainable regardless of the cost of production. The result is that panic has been created among merchants generally, and in anticipation of a continuance of such a selling policy they are disposing of their stocks, for which they have paid, in many cases high prices, at rates much lower than those that should reasonably obtain.

German paper is now being offered for early delivery very freely, but though some of it comes from suppliers in Germany direct, much of it comes through channels other than German and from firms of other countries who, no doubt, are taking advantage of the depreciated mark to further their dumping activities in India. We have seen quotations where the identity of the paper is hidden and the country of origin only becomes known when the paper is actually delivered.

The Indian merchants continue to buy in spite of the heavy stocks they are said to be already carrying, because much of their stocks are high priced on account of the high price of paper that was prevailing until recently, and the adverse fall of exchange. They are tempted to take up cheap offers from time to time in the hope of averaging out their price. The result, however, does not turn out as they expect, and things only become worse.

In a cablegram from London lately we learn through a reliable source that English manufacturing costs for a good white printing or cream laid writing paper amount to between 3½ and 4*d.* per lb. Added to this we have to reckon 11 per cent. Indian import duty and 50*s.* a ton for freight and 2 per cent. minimum landing charges, making a cost landed at the Indian port of 4·4 annas per lb. minimum; yet in face of this, prices in India for foreign paper are being quoted at from 4 annas per lb. New offers are mostly at this low figure and often lower when big business is possible.

We instance an offer by a well-known English firm quoting for good white printing at £36 per ton c. i. f. Karachi, which at 1*s.* 4*d.* exchange works out at 3·8*d.* per lb., and yet we, after keen recent buying of raw materials, cannot possibly manufacture at this cost and only just succeeded in retaining the business in view of our past friendly relations with the particular importer. At the same time, we believe that the paper they are offering is of German origin, brought to London for re-export. We detail below many other definite instances of offers and sales in support of our contention:—

Copy of letter from Rangoon agents advising Dickinson's policy to reduce their prices below ours, no matter what we quote. List showing a few specific instances of dumping and selling off at much reduced prices, appended thereto.

Letter from Messrs. John Dickinson & Co., dated the 19th December 1921, to a very big Lahore printer, offering £36 per ton c. i. f. Indian port for a 100 ton order of good white printing.

Statement by the Chief Collector of Customs, Sind, showing imports of paper into Karachi during the month of November 1921, from which it can be seen that printing paper is coming into this country at a value 25 per cent. below British.

Copy of a telegram from our London agents to ourselves, dated the 8th December 1921, advising that present home manufacturing costs of printing paper as 3½ to 4*d.* per lb.

An offer by Messrs. John Dickinson & Co., Ltd., to a big Calcutta paper merchant, of a fair quantity of good white printing ex-godown, Calcutta at Re. 0-3-6 per lb.

An invoice by Messrs. J. Frerichs, concluding a sale to a Calcutta merchant, dated 23rd September 1921, of 12 bales of German Indian account book paper at Re. 0-5-3 per lb. ex-godown, Calcutta.

Quotation, dated 24th November 1921, from K. H. Kabbur & Co., Manchester, offering us cream wove bank paper c. i. f. Indian port at £47 per ton (Re. 0-4-6).

Copies of quotations from Messrs. Luft Maak & Co., Hamburg, dated the 12th December 1921, to a big Bombay merchant, offering yellow badami paper @ £28 per ton less 5 per cent. c. i. f. Bombay.

Letter from Messrs. Geo. B. D. Busche, Hamburg, dated the 2nd December 1921, to the same merchant, offering coloured printing at £16-10 a ton c. i. f. Karachi, samples attached.

Quotation by J. Frederichs, Calcutta, to an Allahabad paper merchant, dated the 2nd December 1921, offering unglazed white printing @Re. 0-3-9 per lb.

Copy of an order to Messrs. Ahmed & Co., dated 22nd November 1921, from a Bombay merchant for 25 bales of German cream laid foolscap of good quality @ 3½*d.* per lb. less 5 per cent. c. i. f. Bombay. Samples attached.

Letter from Messrs. Bansi Dhar Kapoor, Lahore, dated the 16th December 1921, to our address quoting foreign prices as follows:—

Cream laids	. .	4¾*d.* per lb.	c.i.f. Indian Port.
White printing	. .	4¾*d.* do.	do. do.
Unglazed printing	.	2¼*d.* do.	do. do.

Quotation by Messrs. Luft Maak & Co., Hamburg, dated the 12th October 1921, to a Bombay merchant offering German cream laid foolscap of good quality @ 3½*d.* per lb. less 5 per cent. c. i. f. Bombay. Samples attached.

Copy of letter from Messrs. R. Venkateshwar & Co., dated the 13th December 1921, to our agents in Madras, rejecting supplies of badami paper from us at 5 annas per lb. in consideration of foreign prices for the same quality being 3⅜ annas per lb.

Copy of invoice by Messrs. John Dickinson & Co., Ltd., to a Madras paper merchant, dated the 5th December 1921, in completion of a sale of 10 bales good cream laid foolscap at Re. 0-4-6 per lb., ex-godown, Madras. Samples attached.

Six invoices by Messrs. John Dickinsons issued during November 1921, showing sales of good white printing to various Calcutta merchants at 4 annas per lb. less 5 per cent. discount, ex-godown, Calcutta.

Samples of German cream laid by Messrs. Luft Maak & Co., Hamburg, at 3*d.* per lb. less 5 per cent.

Samples of Swedish cream laid		@ 4½*d.* per lb.	
Do.	Dutch	do.	4½*d.* do.
Do.	Finnish	do.	4*d.* do.
Do.	German	do.	3½*d.* do.

as received from our Bombay agents. All these prices are c. i. f. Indian port.

Taking white printing or cream laid as instances for discussion, we find it impossible to do business above 5 annas, and in order to keep the mills running and retain our labour, we find it necessary very often to accept orders which prove a loss. We are given to understand that, although some of the selling prices of German paper in India are much below the British cost of manufacture, the suppliers are making so much as 50 per cent. profit on transactions by importing into England in the first instance in German currency and then re-exporting to India at sterling rates. Also, big efforts are being made to distribute cheap paper of Swedish and Norwegian origin.

We quote extracts from notes by Mr. Barbour, our commercial manager, on his interview with a big British paper maker:—

> "I took an opportunity of having a chat with Mr. Pirie of Alex Pirie & Sons the other day about dumping, and he confirmed the views and reports already put forward that mills have been obliged to sell at almost any price in order to keep their plant working. He said that so far as his own firm was concerned, they had *big orders coming forward from India* and did not have to chase business. He said they were now feeling German competition in photographic paper and in conjunction with Wiggins Teape (the only other owners of photo mills in this country) were representing their case to Government in order to get the 33 per cent. protection under the safeguarding of Industries Bill and had every expectation of getting it. They are not able to find out the German manufacturers' cost but are simply putting up particulars of their own costs and demanding Protection against the rates at which German paper is offered."

This note would not be complete without a reference to the notorious "dumping" which took place in the period prior to the war and has at the time of writing been resumed both from Britain and the Continent.

India in the past suffered very badly in this respect from dumping by Germany, Austria and Scandinavia. To-day the most flagrant instances of "dumping" coming to notice are the result of the slump in trade in Great Britain and other European countries as well as America whose mills are offering paper in the Indian market at prices which they openly declare are below the cost of production. That our continental friends and late enemies aided by the low value of the currencies are by no means idle, is shown by the customs returns, extracts of which from Karachi we give below:—

November 1921—		cwts.	Value. Rs.
White printing	British	631	26,135
„ „	Swedish	1,088	27,544
„ „	German	467	12,732
„ „	Netherlands	79	1,980

and until preventive measures are introduced by the Legislative Assembly, or other means of support to the industry are found, there can be no hope that this objectionable and ruinous practice will cease.

In attempting to hold their ground, Indian mills are driven to undertake the manufacture of many different grades and specialities. What this means can only be appreciated by a paper maker himself. It makes the struggle a very hard one for the Indian manufacturer. He has to be, so-to-speak, a jack of all trades and put his product in competition with the output of those who are masters in their own particular line.

Indian mills in the decade prior to the war were thus unable to retain their relative position in the Indian market because of their disadvantages compared with many European mills situated near, or within easy reach of, supplies of wood pulp. In addition to this they are sometimes obliged to import a great deal of pulp themselves, owing to the failure of the Indian Railways to furnish transport for other country raw materials.

The industry can meet fair competition, and supported by the necessary *anti*-dumping or traffic protection, can work with sufficient success to at least allow of the present output of Indian mills realising a living margin of profit. This will enable them to continue on their present lines of developing Indian sources of supply and so trying to reduce costs of manufacture. In this manner the consumer will in the end be no worse off, and a valuable industry and its allied industries will be saved and given a chance to develop on fresh lines.

The allied industries spoken of include—

Grass and fibre growing, collection, handling and pulping.
China clay works.
Rosin producing.
Dyes and colours, ochres, etc.
Lime works.
Coal.
Rag and waste paper collection and handling.
Bleach and alkali works.
Sulphate of alumina works.

all of which benefit enormously by the paper-making industry and some of which entirely depend on it, and all of which if paper-making can be protected from unfair methods of competition and put into a healthy condition, will largely develop to the great advantage of the country.

Already, these collateral industries provide employment for very large numbers of labour, which numbers will greatly increase as they open out.

The Titaghur Paper Mills alone employ 36,500 Indian hands.

That the industry is a valuable one is certain and the demise of the paper-making industry, we are sure Government would view with concern.

Railway earnings on grass, raw materials, paper including royalty to Government on grass fields, Rs. 13,15,291 per annum from the Titaghur Paper Mills alone.

As has been shown in preceding paragraphs, this industry not only offers, like other industries, a market for the products of the mining and metallurgical trades, but it also creates other demands. It calls for the production of heavy chemicals and commodities such as caustic soda, bleach, sulphuric acid, sulphate of alumina, starch, resin, china clay, lime and ochres. The industry meantime is dependent upon overseas trade for most of these articles, but there is no reason why all should not be produced in India except the uncertainty as to the profit or risks involved in creating the necessary industries. Nevertheless, some very useful progress has been made. The Government resin factory was able, after experiments at the paper mills, to make its product suitable for use in paper, and has thereby found a valuable local customer for a large portion of its output. Indian kaolin being used in paper manufacture has resulted in much enquiry in this directon and the definite establishment in the country of another new industry. Yet a third industry, and that a most important one, is under development. The manufacture of caustic soda and bleach was described in the Report of the Industrial Commission as "a necesary part of our chemical programme." The first plant in India for the manufacture of these products electrolytically for paper has just been completed at the Titaghur Paper Mills. Thus, a definite beginning has been made which may have far-reaching results and in this is bound up to some extent the Indian salt industry. It is a question whether, apart from the paper mills, there would be under present conditions any hope of making such an industry profitable, but the pioneering work which paper manufacturers are doing well undoubtedly prompt the development of India's resources and point the way to further developments. Other investigations are in progress, having for their object the recovery of alcohol and other valuable bye-products from the waste materials of the paper industry. Obviously were that industry not in existence, those advances could not have been made. The Paper industry has played the prominent part in the investigations set on foot by Government with regard to the possibility of utilising bamboo and various species of grasses for the manufacture of paper pulp. Experiments conducted continuously at paper mills since 1912 have been of great value in overcoming the difficulties of manufacture and of selection of species.

Protection by means of fiscal arrangements is only one of the forms which Government assistance might take. The industry requires assistance of many kinds. It cannot do without encouragement in the shape of a continuance of orders for paper, the prevention of "dumping," and every facility the Forest and Public Works Departments can afford towards the development of forest areas and the extraction of grass. Its immediate and pressing needs are an improvement in the provision of Railway transport and favourable treatment in regard to Railway rates. Indian Railways are at the present time notoriously ill-equipped to deal with the traffic offering to them and the paper mills are among the worst sufferers from this deficiency. Relatively high rates are levied on their inward traffic, but this is far from being the worst aspect of the situation, which

is that the mills are debarred from the thorough exploitation of their grass resources. They cannot bring out the supplies which are actually available for the simple reason that the Railways are unable to provide wagons for removal of the grass at the proper time. Consequently, recourse has to be had to the use of imported woodpulp, not merely to increase production but to keep it from falling below a normal level. The ill-effects of this at a time such as that we have just passed through, are shown immediately in a rise in the cost of paper, but a more permanent injury arises from the discouragement given to the adoption of measures for the improvement of raw material supplies and for the extension of operations generally. The loss to the mills is twofold. Not only is it difficult, wasteful and in every way expensive to import and store stocks of woodpulp when capital has already been laid out in the provision of arrangements for local materials, but the cost of the local materials actually received is gravely enhanced by the breakdown in transport arrangements. If stocks at Railway stations are not removed regularly and expeditiously, they cannot be replaced for the reason that contractors cannot take the risks and expenses involved in stacking huge quantities. If this is done, it is at the cost of the mills which have to bear the losses and pay the cost of extra storage and double handling involved. Delay in removal of grass from stations dislocates the whole system of collection as it means delay in removal from forests. That in turn means interference with cutting arrangements. The grass season in Northern India begins in November and, according to Forest Regulations, the crop has to be taken out of the forests by the middle of April. It is seldom cleared from the station before the rains and the results are invariably serious losses from outbreaks of fire in the first place, and secondly irretrievable damage by rainstorms during the hot weather and by floods in the rains. The fact that grass at up-country stations and in the forests is uninsurable at any price speaks for itself.

In regard to outward rates, the obvious policy for the Indian Railways should be to favour the local manufacture of paper seeing that for every ton of paper produced, the Railways get freight on at least ten tons of "inward" traffic. It will hardly be credited, but it is a fact that as late as 1913, there was an enormous discrimination in favour of the importer. Railway rates on paper from Howrah were considerably lower than from the mills in the neighbourhood of Calcutta, while when despatching paper to Cawnpore, Delhi or Lahore, the mills had to pay no less than 60 per cent. more freight per maund per mile than did the Bombay and Karachi importer. As an example of this unjust discrimination we may quote rates to Jubbulpore:—

	Miles.	Rates per maund. Rs. A. P.
From Bombay . .	616	0 9 8
,, Naihati . .	714	1 3 0

Distance from Naihati, 16 per cent. greater than from Bombay, freight charge increased 100 per cent. The Railways from Western ports still assist the importer to compete on terms of advantage against the mills.

We believe that the Indian paper industry has great possibilities before it, given Protection and the encouragement necessary, at any rate for a number of years, the trade will become fully established to the mutual benefit of India as well as the paper mills.

We ask for:—

I. A 20 per cent. tariff to be levied on all paper imported into India from foreign countries for a period of not less than 10 years, as those responsible for the paper industry in India consider that Protection over this period would enable the mills in India to bring their plant and machinery up-to-date and place themselves in a fighting position.
II. Preferential Railway rates or rebates, on paper produced in India.
III. Preferential Railway rates for raw materials effecting the industry.
IV. Special wagon supplies for our grass during special seasons of the year.
V. Guaranteed minimum of 10,000 tons per annum to be accepted by Government annually, at rates to be fixed yearly on current prices of British paper.
VI. Free imports of all raw materials and machinery and goods required in the manufacture of paper.

Written statement of Messrs. Balmer Lawrie and Company, Managing Agents, The Bengal Paper Mill Company, Limited, dated Calcutta, the 4th January 1922.

Paper manufacture.

9454. We beg to address you on the question of a protective duty for the paper industry in this country and, in favour thereof, beg attention to the following facts and arguments.

The Bengal Paper Mill Co., Ltd., was registered in 1889, and until the past few years had a difficult task throughout its career in making any return, it only being possible to the extent of 1½ to 2 per cent. in the most favourable times on the original capital, two-thirds of which had to be written off before the Company could be brought on to a basis of paying dividends of 6 to 8 per cent. immediately prior to the war.

The Company's mill is situated at Raneegunge where three machines are working and where a fourth machine will be started in the course of a few weeks, when the outturn of paper should approximate 8,000 tons per annum. The money spent on the mill amounts to Rs. 36,87,164, it having been the policy during the war years, when profits were on a generous scale, to strengthen the mill, not only financially but also by additional plant and buildings. The mill to-day on a machinery valuation is worth at least Rs. 50,00,000.

As an indication of the Company's position in the industries of India, we give the following approximate particulars:—

(1) The number of Indians employed at Raneegunge 1,200.
(2) Annual wages paid at Raneegunge Rs. 3,50,000.
(3) The number of Indians employed in the grass fields in the season 5,000.
(4) Wages paid to Indians employed in the grass fields in the season Rs. 2,00,000.
(5) Number of Indians employed in collecting waste material 750.
(6) Wages paid to Indians employed in collecting waste material Rs. 87,000.
(7) Royalties paid on grass Rs. 80,000.
(8) Railway freight on raw material Rs. 1,05,000.
(9) Duty on imports Rs. 45,000.
(10) Rozin purchased from the Government factory Rs. 60,000.
(11) Coal consumption 48,000 tons.

For the decade prior to the war, competition from foreign papers was extraordinarily difficult to meet, for steamers were bringing paper from Europe to Madras and Bombay at rates which were 25 to 33 per cent. lower than rates from Raneegunge to those markets, while German paper was being sold in Bombay at lower prices than in Hamburg.

The difficulty of meeting foreign competition is enhanced not only by the inadequacy of the Railway service but also by its excessive cost. For many years this has been an obstacle in getting sufficient supplies of raw material to the mill, and this is more marked to-day than ever before, in addition to the materials when reaching the mill being so costly that it is almost impossible to compete with imported paper. The result is that, although the mill is now equipped for the use of large supplies of local raw material, it still has to import raw material from abroad, because it cannot bring the supplies which are available from the centres of production and collection to Raneegunge. For this reason it is important that mills should have access to the world's supply of raw

material free of any handicap in the way of import duty.

At the moment the mill is approaching a position where, with its new machinery, it will be able to turn out paper under mechanical conditions which compare favourably with mills in other parts of the world, but to enable it to work profitably and to allow it to keep its place in what has been admitted in the United Kingdom to be a "key industry," the following items among others appear to us essential:—

> Free import of machinery, stores and materials together with a moderate protective duty of 20 per cent. on paper for a minimum period of 10 years.

We prefer this as tending to promote healthier conditions than a high tariff for an industry which with a little encouragement is sure to increase considerably.

The imports of paper in the pre-war period amounted to approximately one million pounds sterling of paper per annum, and although a protective duty is sure to increase the price of paper in the Indian markets, an extra 9 per cent. on the above figure, making total of 20 per cent., would only constitute say 18½ lakhs or say 2 pies per lb.

After Government, in whose financial arrangements a high or a low import duty makes no difference, they receiving in one department what they pay out in another, the chief users of the imported papers are the newspapers; among these the largest users can easily afford the extra import duty, and we believe that the import protective duty of 20 per cent. could be imposed without hardship in any direction, while the Protection for the paper industry purchased at such small cost would ensure a "key industry" being retained for India and lead to expansion in a trade which, as shown above, has important ramifications throughout the country.

In seeking Protection of a 20 per cent. tariff an industry which will undoubtedly be ruined if past conditions are allowed once more to obtain, we are not seeking a return of 20 per cent. in profits, because Indian working costs are not so low in the present undeveloped state of the industry as those in foreign countries where mills are able to specialise in certain lines of paper. Consequently, the Indian mills are at a disadvantage in cost of production, for they have to manufacture such various papers as may be required by non-importing houses. This condition is likely to continue for a while, and, although it increases costs, it constitutes a considerable advantage for India in so far that it thus has mills operating in the country which, as has been proved during the war period, are able to make papers adequate for all purposes, although in the higher grades perhaps not so desirable in appearance as home papers.

In asking for Protection for the paper industry we would urge very strongly that in arranging prices for Government supplies of paper, the contract for which of late years has been held by the Indian mills, and the price of which has been determined by the cost of importation, the import duty should be taken into account in comparing prices of foreign and Indian papers. We should also urge that Government contracts be placed for periods of at least three years, thus enabling the mills to make their arrangements with some degree of certainty as to whether at least part of their outturn will be placed.

The uncertainty of securing Government business of late years has been a great handicap to the expansion of the industry.

As above mentioned, it has been proved that paper mills in this country can make papers suitable for practically all requirements, and the last few years have also proved that practically all the raw materials required in the manufacture of paper are obtainable in this country, suitable fibres being available in large quantities; in fact, the natural conditions of India are such that our experience indicates no reason why the paper industry should not be established on a successful basis, if it can gain the support of the Government buying departments and freed from unfair competition. By this term we refer to the dumping which took place from the Continent in pre-war years, when paper was offered in Indian markets at lower prices than those quoted in the country of origin *plus* freight and charges.

Another direction in which we find foreign competition difficult to meet is in regard to the quality of material from which paper is made. Our mill relies chiefly on grass, and it is admitted that this makes the best quality paper, both in regard to strength and lasting properties, and yet prices obtainable from Government being based on import prices, are influenced strongly by the fact that papers made from inferior material are offered at lower prices than are possible for grass papers.

We attach great importance to the free admission of materials, machinery and stores for paper mills, for, as stated above, we are in favour of only a moderate duty on paper in the interests of efficient working, and also with a view to keeping the price of the commodity as low as is compatible with a healthy industry. Consequently, the advantage of being able to buy on the most favourable terms is of first importance.

We, therefore, ask for a continuance of the present freedom from duty accorded to woodpulp and freedom for the other articles necessary for the production of paper which we consider essential to enable us to compete with the British and foreign manufactures even were Indian-made paper to have the advantage of a 20 per cent. duty.

It will be borne in mind that raw materials are free of any import to the home producers and we want to be on the same terms as those of competing manufacturers.

We attach so much importance to our free access to the raw materials available in the world that in fact unless more Protection is given to the paper industry than in the past, by the addition of 9 per cent. to the tariff and free import of raw materials, we consider it is again approaching bankruptcy.

A further consideration which tends to make Protection imperative for the industry is in regard to freights. Railway freights in India are extraordinarily high in comparison with freights from abroad, and paper can be put into the Lahore market from Hamburg, @ Rs. 52 per ton, while from Raneegunge to Lahore the freight is Rs. 60. These are rates ruling in December 1921, but in 1913 the rate from Hamburg was Rs. 30-4.

We also think it important that any tariff Protection given to the paper industry should be for a stated period of, say, ten years, as any shorter period is likely to fail in giving the industry that confidence which will justify them in strengthening their position for the future.

To summarise, we urge Protection for the industry on the following scores:—

> The impossibility of meeting foreign competition of the nature experienced before the war.
>
> The value of the industry to India as proved in the war when Indian paper was used whenever Indian troops were employed.
>
> The necessity for counter-balancing the high inland freights which, even if lowered, leave long journeys to be performed by Rail.
>
> The desirability of saving an industry which pays wages to Indians only, royalties, duties and freights of probably at least 45 lakhs of rupees per annum at an extra cost to the paper trades of India of only 13½ lakhs, all of which would find its way into the coffers of the Government of India.

Mr. W. L. CAREY of Messrs. Heilgers & Co., and Mr. H. W. CARR of Messrs. Balmer Lawrie & Co., Calcutta, the 11th January 1922.

9455. *President.*—*Q.* As the questions affecting the industry are general, you might answer the questions either of you, gentlemen, as you please. I see that your greatest complaint is against dumping?

A. (*Mr. Carey.*) That is so.

9456. *Q.* Do you think the object of this dumping is to try and send you into liquidation, and thus get the monopoly of the whole of the Indian trade?

A. (*Mr. Carey.*) That is not the actual object of the people who send paper to this country, but it would have that effect.

9457. *Q.* They are, as you state, selling paper in India at lower prices than they sell the same stuff in their own country. You have stated that the price at which they sell in their own country *plus* freight and charges is higher than the price at which they are selling in India?

A. (*Mr. Carey.*) Yes, that is our information.

9458. *Q.* How do you account for that? What is the object? Is it because they want to clear their stocks and keep their machinery going?

A. (*Mr. Carey.*) Judging by the analogy of what happened before the war, that is so. It must be so.

9459. *Q.* I ask this because on page 1 you state "It is well established that certain big European producers are sending their overflow stocks to ports such as Bombay, Calcutta and Rangoon with instructions for their agents to dispose of the same at the best rate obtainable regardless of the cost of production."

A. (*Mr. Carey.*) That is so.

9460. *Q.* How do you think that it would pay them to carry on business on those lines for any length of time?

A. (*Mr. Carey.*) I do not maintain that they would carry it on the same basis for any length of time, but we refer to the condition of things that existed in 1913 and prior to that.

9461. *Q.* If they did it then and if they have restarted it now, it cannot be a very temporary phase?

A. (*Mr. Carey.*) No. The actual immediate position may not last to the same extent, but we have every reason to believe that this sort of thing, which happened before the war, will again come along and we look upon the sudden attack which has been made on India just now in the paper trade, as the first evidence of what we have to meet.

9462. *Q.* Will that be a permanent feature of the trade or merely a temporary one?

A. (*Mr. Carey.*) Possibly not in the same way that it is happening at present, but we have to regard it as certainly being permanent to some considerable extent. (*Mr. Carr.*) Conditions have been brought about at the present moment similar to those of 1911, 1912 and 1913 when there was an absolute attack on this market with favourable freigths. I have stated in my note that 8 years ago we had the evidence of Hamburg selling paper there at a higher price than in Bombay.

9463. *Q.* That you say in your statement. I was coming to that later. If you can explain it now, so much the better.

A. (*Mr. Carey.*) The exact happenings before the war I am closely in touch with, because of our connection with the paper mills. About the year 1911, the Government in Germany sent a commercial attaché to study the markets particularly and to be in touch with the German Consul General. We found that from that time onwards, pressure from Continental papers began to increase enormously in all markets in India, and I know that prices were taken in various markets up country and sent to Germany and the makers there were told that they could sell in these markets at such and such prices. At the same time we had every reason to believe that they could not sell at those prices in Germany. They were not trying to sell at this price in Germany. I have a little bit of evidence which arrived last night. The English papers offered in Karachi still remain at Re. 0-5-11 per lb. Swedish, German and Netherlands paper have been reduced (for what reason I do not know) to 3¼ annas per lb. The only object, as far as I can see, is to try and get the trade. To our knowledge papers could not be made at these prices.

9464. *Q.* Then, surely, they could not carry on the trade, because they could not continue to incur losses for any length of time?

A. (*Mr. Carey.*) They did so before the war for 4 years till they reduced our industry to a non-paying basis. From 1905 to 1912, we managed to squeeze out 5 per cent. dividend for our shareholders. In 1913, 1914, and 1915 we were unable to pay any dividend at all, and then war conditions came and in the end of 1915 and from 1916 onwards, we have been able to pay dividends.

9465. *Q.* Very fat dividends, I understand?

A. (*Mr. Carey.*) Not so fat as other industries, not so far as our shareholders would have liked.

9466. *Q.* Still, the dividends were fat all the same?

A. (*Mr. Carey.*) You cannot say that they are fat compared with many other industries.

9467. *Q.* What were the average dividends during the war period?

A. We started in 1916 with 6 per cent., in 1917, we had 20 per cent., in 1918, we had 25 per cent., in 1919, we had 45 per cent., in 1920, we had 50 per cent.

9468. *Q.* You do not call that bad?

A. (*Mr. Carey.*) It was temporary only. We have come back to 40 per cent., and in our recently published half-yearly report ending 30th September, we came back to 30 per cent. and we informed the shareholders that this was the last dividend that they must expect for some little time. Losses have begun to appear in both our companies, I am afraid, in this half-year. (*Mr. Carr.*) It might be interesting to know that we made these dividends when paper here was selling at eight annas, and they could not in other markets get it for less than a shilling. India was the cheapest paper market in the world all through the war, in spite of the fact that big profits were made.

9469. *Q.* Then were you able to export anything when your prices were cheaper than the other markets?

A. (*Mr. Carey.*) We exported to Ceylon and Hongkong at the request of those Governments to keep them going on at all.

9470. *Q.* Dealing with white printing or cream laid paper, you say, "we are given to understand that although some of the selling prices of German paper in India are much below the British cost of manufacture the suppliers are making so much as 50 per cent. profit on transactions by importing into England in the first instance in German currency and then re-exporting to India at sterling rates. Also big efforts are being made to distribute cheap paper of Swedish and Norwegian origin." Do you think that it is due to the present state of exchange?

A. (*Mr. Carey.*) Yes, I would not say that they would continue indefinitely. The whole of this is given simply for information, and not to maintain that these conditions are permanent. They are only just as examples.

9471. *Q.* Dealing with dumping you say, "India in the past suffered very badly in this respect from dumping by Germany, Austria and Scandinavia. To-day the most flagrant instances of "dumping" coming to notice are the result of the slump in trade in Great Britain and other European countries as well as America, whose mills are offering paper in the Indian market at prices which they openly declare are below the cost of production." Now, supposing Government decide in favour of a protective policy and afford adequate Protection to your industry, what will be the results? What do you think these people, who are now anxious to capture the Indian market even by selling below the cost of production, will do? Will they sit quiet and let the market slip out of their hands?

A. (*Mr. Carr.*) It is not general Protection we want but Protection against dumping.

9472. *Q.* I will come to the various things you want. You say that they openly declare that they sell in India below the cost price?

A. (*Mr. Carr.*) We want Protection against that. It is not ordinary competition. If it is fair competition, we are quite prepared to face it from any country. We can compete with the United Kingdom or any other country satisfactorily and give India the paper at a good price.

9473. *Q.* With some object they are selling paper below cost price. If that is so, the imposition of an import duty for protective purposes would raise the price in India?

A. (*Mr. Carr.*) Yes.

9474. *Q.* You would be able to sell it at better prices than you are selling at present in competition with them?

A. Yes.

9475. *Q.* But in order to keep the market to themselves, they will try and not sit quiet?

A. (*Mr. Carr.*) They have to sit quiet or take a further 20 per cent. loss.

9476. *Q.* But do you think that they can, for any length of time, carry on business on the principle of selling below cost price?

A. Yes, from behind a high protective wall.

9477. *Q.* I should like you to explain it a little further.

A. (*Mr. Carr.*) Before the war the English paper makers were importing 56 per cent. of the Indian requirements of foreign paper into India. They are now asking for 33⅓ per cent. protective duty and if they get that, they are going to be in a still better position to compete with us here, and competition from behind a protective wall of that nature will, I think, drive out our trade.

9478. *Q.* What measures would you advocate to protect your industry?

A. (*Mr. Carr.*) I cannot advocate anything to meet these things, except a protective duty and it seems to me that 20 per cent. would give us the relief we require.

9479. *Q.* If that is permanent, then the cost to the consumer will be increased and would continue to be paid by the consumer?

A. (*Mr. Carr.*) Yes, but it is not a very large expenditure to the consumer. Such a duty as we suggest would only put the price of paper up by 3 pies per lb. (*Mr. Carey.*) That is one of the reasons why we have asked only for 20 per cent. and not for 33 per cent. which the British manufacturers are asking. They ask for 33 per cent. Protection against the Continent. We are only asking for 20 per cent.

9480. Q. The 33⅓ per cent. Protection which the British manufacturer is asking is against import into Great Britain?

A. (*Mr. Carey.*) Yes, because these British mills are at present beginning to go into liquidation, one after the other.

9481. *Q.* If that is done, the British manufacturers would be able to compete with you here?

A. (*Mr. Carr.*) They will have less to export until they get going, but the competition will be keener from Germany, because they would be shut out of the English markets and make a still greater effort to capture this one. (*Mr. Carey.*) Our information is that the German, Swedish and other Continental mills were deliberately making an excess output for dumping in other countries in order to keep their standing cost low. They were dumping of course before the war with the assistance of the Government subsidies. How long they would get them, I cannot say and nobody could say.

9482. *Q.* Can you tell us what is the total quantity of paper of all kinds manufactured in India and imported into India? What proportion does the local manufacture bear to the total imports?

A. (*Mr. Carr.*) The total consumption in India is 80,000 tons, out of which 30,000 tons are made in India and 50,000 tons imported. (*Mr. Carey.*) That is at present with the mills as they stand.

9483. *Q.* What prospects, do you think, there are for India manufacturing all her requirements?

A. (*Mr. Carr.*) Without some safeguard against dumping, I do not think there is a chance of manufacturing the 30,000 tons very much longer.

9484. *Q.* What prospects are there for India becoming self-contained in regard to all her requirements of paper if some form of Protection was granted to the industry for a certain period of time.

A. (*Mr. Carey.*) My opinion is there is nothing to prevent it, with the exception of a very few special lines.

9485. *Q.* You think it can be easily managed?

A. (*Mr. Carey.*) With the exception of a few special lines, it can be managed.

9486. *Q.* Then you say that the struggle is a hard one for the Indian manufacturer, because you have got to produce all kinds of paper and your competitors specialise. Why is it not to specialise in India?

A. (*Mr. Carey.*) We have to meet the bazar trade and the Government trade. We have a certain number of large lines, which, of course, we sell to Government at a special low price, because it is an advantage to have them. As regards the bazar trade, we find that we are in competition with all sorts of Continental papers and it is impossible very often to get an order for one class without taking two or three classes at the same time, because the foreigner is willing to give it in that way. (*Mr. Carr.*) We go on extending qualities, because otherwise we are more susceptible to loss from dumping. If we make only one quality, we may be put to trouble with dumping going on against us; whereas, if we make all sorts, we are also to supply people with some sorts, even if others are being dumped. (*Mr. Carey.*) Very often the people who import are simple agents for a group of mills, each mill making a special grade of paper, of course making it more cheaply than we can do with more grades of paper.

9487. *Q.* That is because the European manufacturers have got a large number of markets and can sell one quality in different markets in sufficient quantities to make their factories run successfully?

A. (*Mr. Carey.*) Quite so.

9488. *Q.* You have to depend upon one market where you have to meet all kinds of paper?

A. (*Mr. Carey.*) Exactly so. We have during the war considered very carefully the question of specialising in certain lines and trying to get bazars to accept those lines and let the others go, but we could not do so.

9489. *Q.* You said that, with some form of adequate Protection, it would be possible to develop the industry in India to a sufficient extent to supply almost the whole of India's wants. Do you get all your raw materials in India? How much of your raw materials do you get in India and how much have you got to import?

A. (*Mr. Carey.*) Practically the whole of our chemicals have to be imported still.

9490. *Q.* What about your stores?

A. (*Mr. Carey.*) Stores for paper making are entirely imported. When I speak of stores, I mean what we call mill clothing, wires and other things which are highly specialised. They are manufactured by a few firms in Europe who specialise in that. Therefore I think there is no hope whatever of getting the stores here. We should always have to import these particular things and likewise machinery. Paper making machinery is mostly made for the whole world's trade by a very few firms and they are all highly specialised. Machinery making is now becoming more and more highly specialised.

9491. *Q.* When I was talking of raw materials, I was dealing with the various articles you mention, grass, wood plup, china clay, resin, dye and colours, etc.

A. (*Mr. Carey.*) With the exception of dyes, in my opinion there is no reason why the whole of the raw materials should not some day be made in this country. It could not be done immediately, it will take a little time.

9492. *Q.* Can you tell me under present conditions what is the proportion of raw materials you get now in India and what is the proportion imported, excluding machinery?

A. (*Mr. Carey.*) Chemicals which add to the cost of the paper considerably must be largely imported for many years yet. Taking fibre, which is the main raw material, we could get 80 to 85 per cent. in India, in the shape of grass, rags, waste paper, waste jute, etc., and 15 to 20 per cent. has got to be imported.

9493. *Q.* In one part of your written statement you point out that you are obliged to import wood pulp from abroad, because the corresponding raw material produced in India cannot be obtained for want of Railway facilities?

A. (*Mr. Carey.*) That is true.

9494. *Q.* Will you explain it more fully to the Commission?

A. (*Mr. Carr.*) We get the forests under lease and work them under the forest rules. We have to clear all our grass between the beginning of November and the end of March. During that period all the grass has to be brought to the stations and baled and shifted during that period to the mills. If it is not, the Railways cannot grant facilities for storage of such an inflammable material. The contractors leave it in the forest. Our own experience of the last three or four years is that we have got to leave the grass in the forests, simply because we could not shift it, although it has been cut and partially paid for. That is our difficulty in getting the raw material to the mill.

9495. *Q.* Is your wood pulp imported from abroad or your raw material from India the cheaper?

A. (*Mr. Carr.*) The cost of grass, which is the main staple here, has now risen so much that wood pulp to-day is almost on a parity with grass in India.

9496. *Q.* That is to say, as delivered at the works?

A. (*Mr. Carr.*) You can get paper from imported wood pulp almost as cheaply as you can from Indian grass. That is so just at the present moment, because grass has increased very much in price.

9497. *Q.* Is that the particular quality of grass that you need, or grass generally?

A. (*Mr. Carey.*) That is the particular grade. (*Mr. Carr.*) With the increase of Railway freight and the fact that we have to go further afield for our grass requirements, we have to pay very high rates for

collecting grass now. I think both our mills are trying to get grass from the Punjab to Madras.

9498. *Q.* You say, "the ill effects of this at a time such as that we have just passed through are shown immediately in a rise in the cost of paper, but a more permanent injury arises from the discouragement given to the adoption of measures for the improvement of raw material supplies and for the extension of operations generally." That is in regard to your supply of raw materials?

A. (*Mr. Carey.*) Supply of grass.

9499. *Q.* You further say, "it will hardly be credited, but it is a fact that, as late as 1913, there was an enormous discrimination in favour of the importer. Railway rates on paper from Howrah were considerably lower than from the mills in the neighbourhood of Calcutta, while when despatching paper to Cawnpore, Delhi or Lahore the mills had to pay no less than 60 per cent. more freight per maund per mile than did the Bombay and Karachi importer. As an example of this unjust discrimination, we may quote rates to Jubbulpore, which are, from Bombay Re. 0-9-6 and from Naihati Re. 1-3-0 per maund; the distance from Naihati is 16 per cent. greater than from Bombay, and the freight charge is increased 100 per cent." But you say that this has now been changed, is it not so?

A. (*Mr. Carey.*) It continues.

9500. *The President.*—*Q.* Can you give us any information about the comparative cost of bringing paper from Europe and sending it by Rail in India?

A. (*Mr. Carr.*) In 1914 sea freight from London to Madras was 27*s.*, whereas from Raneegunge to Madras Rail freight was 43*s.* 6*d.*, but to-day London to Madras is 47*s.* 6*d.* whereas Raneegunge to Madras is 57*s.* 11*d.*

9501. *Q.* That is one aspect of the question, the comparative cost of landing paper at the ports. But there is another aspect. An importer sending his goods *viâ* Bombay or Calcutta to the Punjab has to pay Railway freight just as you have got to pay Railway freight from Raneegunge.

A. But the Railway carry imported goods at 9 annas 6 pies per maund, but for our goods they charge Re. 1-3-0 per maund.

9502. *Q.* That is to say, the Railway discriminate in this way for Railway purposes. I am not sitting in judgment on the Railway, but I should like to know if that is so?

A. Yes that is so. (*Mr. Carr.*) I have given you an instance of the Hamburg paper which can go into the Lahore market at Rs. 53 per ton, while from Raneegunge to Lahore the freight is Rs. 60 per ton.

9503. *Q.* What I really want to know is the freight from Hamburg to Karachi and Karachi to Lahore. The Railway freight from Raneegunge to Lahore is Rs. 60. Now what is the freight from Karachi to Lahore?

A. (*Mr. Carr.*) The freight from Karachi to Lahore is at the rate of 14 annas per maund.

9504. *Q.* How much is it per ton? How much out of the Rs. 52 is Railway freight?

A. (*Mr. Carr.*) Rs. 23-10-0 out of Rs. 52 is Railway freight.

9505. *Q.* And what is the distance? (*Sir Montagu Webb.*) Something like 725 miles.

9506. *Q.* Raneegunge to Lahore is about 1,200?

A. Yes.

9507. *Q.* And they charge you Rs. 60?

A. Yes.

9508. *Q.* Against Rs. 23-10?

A. Yes.

9509. *Q.* Then you ask for six different forms of Protection or State aid, call it whatever you like, you want 20 per cent. tariff, you want preferential Railway rates or rebates, on paper produced in India, you want preferential Railway rates for raw materials affecting the industry, you want special wagon supplies for your grass during special seasons of the year, you want a guaranteed minimum of 10,000 tons per annum contract from Government and you want free imports of all raw materials and machinery. Have you considered what the accumulating effect of all these different forms of State aid or Protection is? You ask for 20 per cent., but if all these things are worked out it would be a very big percentage. Have you worked out the total percentage, inclusive of all these different items?

A. (*Mr. Carey.*) The object of asking for 20 per cent. was that it would not increase the price of the paper to the consumer excessively. These other methods which we propose or suggest here would not fall upon the consumer.

9510. *Q.* But they would reduce the Government revenue?

A. Yes; they would also reduce the price of the paper and so enable us to compete.

9511. *Q.* Assuming that none of the other forms of State aid or Protection is granted and that the present conditions in regard to all the items from 2 to 6 prevail, what amount of Protection would you need in those conditions?

A. (*Mr. Carey.*) We realise the difficulties which might arise over some of the forms of assistance suggested, particularly over Railway rates. We put them in as alternatives for selection by the Commission of those most suitable. If we only get the 20 per cent. tariff, then 20 per cent. would be insufficient.

9512. *Q.* That is why I am asking you how much greater Protection you would need by the elimination of these other protections that you have asked for?

A. It is a curious fact that before the war we considered that 33 per cent. Protection would have to be given. The English paper makers also ask for 33 per cent. and if we do not get all these things, we would be justified in asking for 33 per cent. We are not here as protectionists pure and simple, we are representing the industry.

9513. *Q.* Yes, that is why I did not ask any question as regards the general policy, but only as regards the industry.

A. We are not asking for tariff walls but Protection against dumping.

9514. *Q.* That is to say, as soon as dumping ceases, you will give up these?

A. (*Mr. Carey.*) If such a thing ever happens. If the Protection against dumping were taken off, it would begin again.

9515. *Q.* If your attitude is that you really want this Protection against dumping, then you must agree to give it up when dumping ceases?

A. I think we are prepared to promise that until it recommences.

9516. *Q.* Can you tell us how Government are going to keep themselves informed as to whether dumping is continuing or has ceased? Is there any way by which Government could find out?

A. (*Mr. Carr.*) It would be difficult. That is one of the reasons why we ask for 20 per cent. as a general all round rate.

9517. *Q.* Then, as regards the written statement from the Bengal Paper Mills, there is one question which is very interesting and very important; that is to say, that all these difficulties that you have pointed out in regard to Railways and the supply of raw materials relate to Raneegunge. Do you think that Raneegunge is the best site for the paper industry?

A. (*Mr. Carr.*) It costs us more for imported stores, but we use at least six tons of coal for every ton of paper made; so we have settled down near the coal fields; we are on the river bank, and there we are also favourably placed with regard to the grass fields and we are on the way to the upcountry markets. Our handicap is that we have got to pay freight upon everything that we import.

9518. *Q.* Taking everything into consideration, do you think that the selection of Raneegunge for the establishment of this industry is suitable?

A. Yes, physically it is very suitable.

9519. *Q. Sir Edgar Holberton.*—*Q.* Just a word further on this subject of dumping. The explanation probably is, is it not, that the production of Europe is over-great for its needs?

A. (*Mr. Carey.*) At the present time it is.

9520. *Q.* Am I right in thinking with regard to this dumping policy that it pays them to keep their mills working full time and export a certain amount of their product at low prices, so as not to increase their standing charges?

A. (*Mr. Carey.*) That was what was happening before the war.

9521. *Q.* Do you think the same condition has arisen again?

A. There is every danger that it will arise if it has not already arisen.

9522. *Q.* In addition, of course, some of those countries are assisted by the present exchange?

A. But that is temporary.

9523. *Q.* Do you think it would be possible to expand the industry in India?

A. I look upon this country as one which contains most of the raw materials. I therefore see no reason why the industry should not be expanded and be self-supporting if Government so desire it.

9524. *Q.* You say that this country has a sufficient quantity of raw materials. Would that apply to your most important raw materials?

A. (*Mr. Carr.*) There are many kinds of material.

9525. *Q.* At the present moment, would it apply to the grass that you use, is it sufficient?

A. Probably not.

9526. *Q.* You would have to go to other alternatives?

A. Yes.

9527. *Q.* Possibly such as bamboos?

A. Yes.

9528. *Q.* There has been a good deal of discussion about bamboos. I believe that they can be utilized now, can they not?

A. (*Mr. Carey.*) Yes, they would require a new plant to be put down.

9529. *Q.* With your present plant then, you are rather bound to the raw materials that you now use?

A. As a matter of fact, we are fortunately situated in having some plant which can be used for both.

9530. *Q.* Your industry has been established for 40 years you say?

A. Yes.

9531. *Q.* And the Bengal Paper Mills for something like 30 years?

A. (*Mr. Carr.*) Yes.

9532. *Q.* Are these Indian companies?

A. (*Mr. Carey.*) Yes, they are Indian registered companies.

9533. *Q.* Who are the majority of the share-holders?

A. (*Mr. Carey.*) In Titaghur, at least half Indian and half European. (*Mr. Carr.*) 3½ lakhs out of 9 lakhs of capital are held by Indians, so much so that we have an Indian Director on our Board.

9534. *Q.* Indians have a very considerable stake?

A. (*Mr. Carr.*) Yes.

9535. *Q.* Well, from that point of view certainly, the industry is one which deserves to be encouraged. In addition to the fact that this old established industry has Indian capital and has a sufficient supply of raw materials, can you give me any special reasons why this industry should be kept alive?

A. (*Mr. Carey.*) Well, it is one on which a great deal of the other work in the country depends for development.

9536. *Q.* Can you specify?

A. I have got them in my notes. China clay works, rosin grass growing and collection, lime, chemicals, etc.

9537. *Q.* Now, if your industry collapses would these allied industries or some of them collapse with it?

A. (*Mr. Carey.*) They consume such a large proportion of these particular products that it is quite certain that at any rate China clay and rosin would be affected considerably and lime to some extent.

9538. *Q.* Now, with regard to labour. Your supervising staff out here is mostly European, I suppose?

A. (*Mr. Carey.*) Yes.

9539. *Q.* I suppose they are experts?

A. Yes.

9540. *Q.* Are you at present carrying on any system of training Indians?

A. (*Mr. Carr.*) We have had a couple of Government students and we wanted others to join, but they did not take very kindly to the paper trade. The apprenticeship which an expert paper maker has to go through is a hard one—distinctly hard. The two graduates we have had with us, one from Assam and the other from the Punjab went a certain distance. One retired after a couple of years' work and the other went to America to finish his knowledge to complete his education.

9541. *Q.* Where would an educated Indian have to begin if he decided to qualify to become an expert in the paper industry?

A. (*Mr. Carr.*) We began with the raw material and got them to understand that, and then went on with the process.

9542. *Q.* They would begin in fact with manual labour?

A. Yes.

9543. *Q.* Unless a man was willing to do that, he would not be of much use?

A. (*Mr. Carr*). Our Managing Director began the trade in the same way.

9544. *Q.* Up-to-date you have really put facilities in the way of Indians, but they do not seem to go in for them?

A. (*Mr. Carey.*) I had this question put to me before the Industrial Commission and I said we would be quite pleased to take in any one who will come in. It is a hot and dirty business learning to be a paper maker and takes many years. The men who generally do paper work in England are father and son who have been paper makers for generations. Similarly, here in the paper mills, we have had Indian families father and son with us ever since the beginning, in the lower branches; they are excellent men.

9545. *Q.* But they have not got the education facilities to enable them to get through?

A. No and they lack also in the initiative.

9546. *Q.* Where does your wood pulp come from?

A. (*Mr. Carey.*) Mostly from Sweden.

9547. *Q.* India is a country with an unlimited supply of timber. Why do not you use Indian wood pulp instead of grass?

A. (*Mr. Carey.*) For the last ten years we have been examining almost all the fibres in the country, and so far we have not found anything suitable.

9548. *Q.* The trouble is that they are soft and scattered?

A. Yes. I would refer you to the report of the Ceylon Government; they state in their report that they are too scattered for use for the paper mills.

9549. *Q.* With reference to the six requests that you have put up here, and the note by the Titaghur Paper Mills, I fancy that the six together is a rather bigger dose than you expect us to swallow, and the President has developed the point that if you leave out 2 to 6, you would require something like 33 per cent. in No. 1?

A. Yes.

9550. *Q.* Now, supposing you were able to do without 2 and 3, supposing they are dropped out, would that help you materially if you get the last 3?

A. I think we would agree to accept that, because we recognise the difficulty of the Railways at the present time.

9551. *Q.* If you could get your special wagons, and the Government would guarantee to take practically the whole of their requirements from you, and if you could get free imports of raw materials, you would not want to raise your 20 per cent., I imagine?

A. We would leave it at 20 per cent.

9552. *Q.* But if any of these three fell out, then would the 20 per cent. be insufficient?

A. I think the special wagon supply for grass is a most essential point. Large Government orders placed with us reduce the average cost of manufacture for the whole mills; and as regards the imports, of raw materials, I think that is another most important point.

9553. *Q.* With regard to No. 6 probably you only take a percentage of the imports of the various raw materials. Now, the chief Collector of Customs who gave evidence before us yesterday was very strong against differentiating, because it was making the work of his department most difficult. If No. 6 were dropped out, would that make any material difference to you?

A. It would affect us very much.

9554. *Q.* You say that you want the rates for the Government contract fixed on current prices of British paper. Do you mean current prices in Britain or delivered in India?

A. Oh no, offered here.

9555. *Q.* If you are going to have a 20 per cent. duty put on, you are really fixing the price with this extra 20 per cent.?

A. That is what we ask for.

9556. *Q.* Let us consider the price of British paper to be x. Then you add to it v freight, and then you add 20 per cent. duty. Therefore your price will be *x plus* v *plus* 20 per cent.?

A. (*Mr. Carey.*) Yes. It comes to that.

9557. *Q.* That is really what you are asking?

A. (*Mr. Carey.*) Quite so. In other words, we ask for the equivalent of the price at which Government can buy English paper imported here under a 20 per cent. tariff.

9558. *Q.* This would be very expensive. The price will be more than the price Government would pay for foreign paper at Calcutta?

A. (*Mr. Carey.*) Yes. It is true.

9559. *Q.* Is there still dumping by foreign people?

A. (*Mr. Carey.*) Yes.

9560. *Q.* Therefore, you are really asking that the Government price should be fixed very high?

A. (*Mr. Carey.*) We are asking it for the sake of the development of the industry, and in view of the value of the industry to the country.

9561. *Q.* There is one point with reference to your paper. You say that at the moment the mill is approaching a position when, with its new machinery, it will be able to turn out paper under mechanical conditions which compare favourably with mills in other parts of the world. Then you mean that you are satisfied with the mechanical conditions of your mill?

A. (*Mr. Carey.*) No. We have a great deal more scope for work to be done. We have many more machines and more plant to deal with than the other mill has.

9562. *Q.* Is it a fact that a paper mill of 7 years ago would be a second class mill now?

A. Yes.

9563. *Q.* Therefore, you have spent on capital as inventions come on?

A. (*Mr. Carey.*) Yes. The war has given rise to tremendous improvements in America and Europe in the process of manufacture.

9564. *Q.* If Government pay duty on what they import, you realise that it would be in the nature of a book entry?

A. (*Mr. Carr.*) Still, we think that they should pay.

9565. *Q.* Would it be sufficient for your purpose if Government made a declaration that they would consider the question of duty before they place any contracts?

A. (*Mr. Carr.*) I think it is very liable to be overlooked in placing contracts.

9566. *Q.* You mention that several paper firms at home have actually put in a request for 33 per cent. Protection.

A. (*Mr. Carey.*) Yes. They have actually put in a request.

9567. *Q.* Their request has up-to-date not received a favourable reply?

A. No. But they have been accepted by Government as a key industry.

9568. *Q.* As a key industry, therefore, their claim under the Safeguarding of Industries Act has to be considered. That is the point.

A. (*Mr. Carey.*) I think they have an expectation that it will be favourably considered.

9569. *Q.* Would you care to tell me if you know at all how the capital of Messrs. John Dickinson and Sons is placed. Is their capital English capital purely?

A. Yes. They have English capital.

9570. *Q.* They would not therefore be likely to benefit by any of the dumping tactics?

A. Although their capital is British, they buy and sell paper.

9571. *Q.* Are they merely manufacturers or dealers?

A. Principally dealers, but they have also mills.

9572. *Q.* The large amount of orders they take here might be for foreign paper?

A. (*Mr. Carey.*) It might be.

9573. *Q.* Is it necessary to specify the country of manufacture on the paper?

A. I think it would be an excellent idea.

9574. *Q.* Is it not done now?

A. (*Mr. Carey.*) Yes. It is already marked on the packages. But as a matter of fact, I may say that we had an instance where we proved to the Commercial Intelligence Department that Japanese paper was imported packed in English packages.

9575. *Mr. Narottam Morarjee.*—*Q.* You say that you are engaging 36,500 Indian hands?

A. (*Mr. Carey*). Yes.

9576. *Q.* How many of these men are engaged in the factories?

A. (*Mr. Carey.*) Actually, about 3,000.

9577. *Q.* The rest?

A. (*Mr. Carey.*) They are engaged in other industries connected with this industry.

9578. *Q.* If pulp is made from bamboo, do you think that it is as good as the Scandinavian or Norwegian pulp?

A. (*Mr. Carey.*) Perhaps it is a little early yet to say. It is still in the experimental stage.

9579. *Q.* Does England import Norwegian or Swedish pulp?

A. (*Mr. Carey.*) Yes.

9580. *Q.* She has not got any forests, has she?

A. (*Mr. Carey.*) No.

9581. *Q.* Which pulp does she import mostly, Austrian, Norwegian or Swedish?

A. (*Mr. Carey.*) I think the Scandinavian supply is the principal supply. Canada also supplies them.

9582. *Q.* Do you also import Norwegian pulp?

A. (*Mr. Carey.*) Yes.

9583. *Q.* You say that before the war the paper industry was not in a very flourishing state. But matters changed during the war. Have you been making improvements since then?

A. Yes.

9584. *Sir Montagu Webb.*—*Q.* The evidence which you have kindly sent in to the Commission is, I think, of the very greatest value, because it appears to me that the whole problem which this Commission is investigating may be found in the papers which you have put before us. Studying the evidence which you have given, it seems to me a question whether the paper industry is suitable for India at all in this respect; your largest market is cheap paper and you are not in a position to get cheap pulp. You have the raw material for the good qualities of paper, but only a relatively small market for the best qualities of paper. Is that right? I am only searching for information.

A. (*Mr. Carey.*) Yes. We want to import the heavy chemicals cheap.

9585. *Q.* Does any Canadian pulp reach India?

A. It is not so suitable. Second class paper we can make out of it.

9586. *Q.* You have suitable raw material here?

A. Yes.

9587. *Q.* But you have to import your chemicals?

A. Yes.

9588. *Q.* The question arises whether it is expedient to tax the country as a whole in order to give you the margin necessary to carry on successfully your paper mills. Is that the problem in a nut shell? I ask you in this way, because I do not understand from the evidence which you have put before us that you contemplate in a few years being in a stronger position than you are in now. In other words, you are in the position of an infant industry which is not able to stand on its own legs. It seems to me that, having regard to the sources of your pulp and the cost of bringing your raw material from the different parts of the country, you are more or less permanently handicapped. I may be wrong. I only seek for information.

A. (*Mr. Carey.*) Provided that we are protected against dumping as dumping, we do not fear ordinary competition on level conditions. (*Mr. Carr.*) We do not fear ordinary competition. We have spent 22 lakhs in bringing the mills up-to-date in the last few years. Now that the mill is up-to-date, we can meet all competition. But I do not think in the future we will be safe. Any time we cannot hold against dumping. We can compete with other papers. But with the dumped paper we cannot compete. (*Mr. Carey.*) Since 1915, we have actually spent 39 lakhs for bringing the mills up-to-date, and we still have a good deal to spend in order to bring it up-to-date. We have placed 18 lakhs for development.

9589. *Q.* Am I correct in understanding that if you are protected against dumping, you would not seek the further aids which I find at the end of your paper?

A. (*Mr. Carr.*) We have asked for them for only 10 years.

9590. *Q.* Then you are really a baby industry since you require 10 years?

A. (*Mr. Carr.*) We have been stunted in our childhood from lack of nutrition.

9591. *Q.* As I said, the whole problem which is before the Commission seems very excellently illustrated in your papers; you are asking for a Protection which must be imposed upon the general tax-payer in order that your industry may stand on its own

legs. But you say that if dumping could be stopped, you think you can get on perfectly all right.

A. (*Mr. Carey.*) We should be able then to bring our mills up. We are not afraid of ordinary competition on level conditions.

9592. *Q.* I know many industries that would flourish with assistance such as preferential rates for raw materials, special wagon supplies, guaranteed minimum order of 10,000 tons a year and free imports of all raw materials and machinery for which you now ask!

A. Quite so. The only justification of this one is that it is of sufficient value to be worth while considering.

9593. *Q.* If your industry can be assisted by Protection against dumping, I think you would have the very best arguments in your favour. But I am not sure whether a case could be established for any further Protection.

A. (*Mr. Carr.*) No. 6 is recommended by the fact that the raw material essential for our industry has to be imported. We do not want to ask for too high a tariff. We want to keep our Protection as low as possible, and this is only possible if the raw material could be allowed free. Otherwise, you would nullify the assistance you give us. (*Mr. Carey.*) Actually, we would want an anti-dumping Protection of 33 per cent. But we minimise that in other directions so as not to raise the price to the consumer.

9594. *Q.* What does the pulp pay now?

A. (*Mr. Carey.*) It is at present free.

9595. *Q.* Am I right in noting that if you are protected against dumping, you will have a very good chance of survival, even if we don't consider a protective tariff, and provided that you get your raw materials free?

A. (*Mr. Carey.*) Yes. By way of comparison, I may say that it should be not less than 33 per cent. judging by the pre-war standard.

9596. *Q.* You want some special tariff legislation which would check dumping. Is that what is required?

A. (*Mr. Carey.*) Yes.

9597. *Q.* You are satisfied that with that Protection you would be able to compete economically in the country?

A. (*Mr. Carey.*) Yes, with that and free imports of raw materials.

9598. *Q.* On several pages you refer to the excessive Railway charges. I take it that you can hardly expect to send goods from Calcutta to Karachi as economically as they can be sent by sea. You can hardly expect Railway transport to be as cheap as sea transport.

A. (*Mr. Carey.*) Sea transport for 8,000 miles? We may hope that the Railways will some day get into a position when they might begin to look at it.

9599. *Q.* I should like to understand exactly what you mean when you talk of excessive Railway rates. Do you mean that the rates charged by the Railways are in themselves high or do you mean that Railway freight as compared with sea freight is high?

A. (*Mr. Carey.*) The latter is my meaning. An industry which has to draw its raw materials from thousands of miles is very severely handicapped.

9600. *Q.* You may find that bamboo pulp is satisfactory, and you may also be able to get your chemicals here.

A. (*Mr. Carey.*) I think bamboo pulp will prove good. But as to chemicals there is no certainty.

9601. *Q.* On page 1 of the Bengal Paper Mills Company's written statement you give particulars regarding the number of Indians employed by you, wages paid, etc. Those are reasons, I take it, why you lay claim to Protection.

A. (*Mr. Carey.*) Yes.

9602. *Q.* You show counter-advantages as against the disadvantages of Protection. These are some of the advantages which are secured. Is it so?

A. (*Mr. Carr.*) Quite so.

9603. *Mr Cayajee.*—*Q.* Which is the chief source of dumping? Scandinavia?

A. (*Mr. Carey.*) Austria and Germany.

9604. *Q.* A view is propounded by an expert who says that the supply for pulp making mills is becoming exhausted. Do you think that this in the near future would not put a stop to dumping?

A. I do not believe in this contingency.

9605. *Q.* But don't you think that at present such an exhaustion is proved by the fact that they are closing down the Scandinavian pulp mills?

A. (*Mr. Carey.*) No. They are closed down on account of over-production and inability to sell their output. (*Mr. Carr.*) I have been making very careful enquiries myself for years past, and specially at home for the last two years. I heard conflicting reports about this question. The last I heard was there is no likelihood whatever of the exhaustion of the Canadian supply for many years to come.

9606. *Q.* I suppose dumping is your strong fear. Do you think that a 20 per cent. duty for 10 years would put you in a position to compete with mills which produce more than you do? Their production is 500 tons a day whereas yours is 31 tons per day. Don't you think that after 10 years even with the duty you will suffer from dumping?

A. (*Mr. Carr.*) We really say that 10 years is the minimum. As long as dumping continues we want Protection.

9607. *Q.* Then your 6 demands are not limited as to time?

A. (*Mr. Carey.*) The time limit may apply to Nos. 4 and 5. But we would make No. 6 as a permanent condition.

9608. *Q.* That is to say, a sort of permanent Protection?

A. Yes.

9609. *Q.* Irrespective of dumping?

A. Yes. (*Mr. Carr.*) No. 4 I think would clear away itself in the natural course of Railway development.

9610. *Q.* You make some estimate of the natural Protection enjoyed by your industry. Will you kindly tabulate it in terms of percentages? You say "Added to this we have to reckon 11 per cent. Indian import duty and 50*s.* a ton for freight." What does it amount to in terms of percentage, approximately?

A. (*Mr. Carey.*) It is about 3 per cent.

9611. *Q.* If you add 2 per cent. minimum landing charges, it amounts to a Protection of about 5 per cent. only.

A. Yes.

9612. *Q.* Then you demand the free admission of caustic soda, bleach, sulphuric acid, sulphate of alumina, etc. If these were admitted duty free, don't you think that the development of chemical industries in India of that character would be retarded?

A. (*Mr. Carey.*) We mean until such time as the mills make them themselves, or until they can be locally made by others, which is bound to come.

9613. *Q.* Chemical industry experts have asked for Protection and you want to admit these things free. There is a little conflict in this matter.

A. (*Mr. Carey.*) It is inevitable. (*Mr. Carr.*) If the paper industry disappears, there would be no use for a large amount of the chemicals, and that would hit the chemical industry in India.

9614. *Q.* Now, talking of the making of pulp from bamboos, do you think that if experiments succeed, the cost of making pulp would be reduced?

A. (*Mr. Carey.*) You mean the cost of producing bamboo pulp as against the present pulp? Not materially.

9615. *Q.* Mr. Ainscough's report says that there is an almost inexhaustible supply of bamboos near the coasts.

A. (*Mr. Carey.*) Experiments have not proved that the cost would be smaller.

9616. *Q.* This 20 per cent. tariff you propose on account of the abnormal conditions of dumping on the one side, and on account of the fact that your mills seem to be rather small and many of them not supplied with the very superior machinery which, you say, has been invented during the war. It is on this temporary phenomenon that you base the demand for this 20 per cent. duty. Is it not so?

A. (*Mr. Carey.*) No, Sir. The whole claim we are making is based on the pre-war conditions.

9617. *Mr. Rhodes.*—*Q.* Mr. Carey, you have mentioned the paper industry as a key industry. Are you quite sure of your facts? Because I do not find it in the schedule of the Safeguarding of Industries Act as one of the key industries?

A. (*Mr. Carey.*) I received a cable from home from which I understood that it was a key industry.

9618. *Q.* Has there been a recent addition?

A. (*Mr. Carey.*) I am afraid I have not got the reference, but I will look it up and let you know.

9619. *Q.* I understand that the English paper makers are asking for a 33 per cent. Protection, not because their cost of production is actually 33 per cent. higher than that of foreign manufacturers, but because they want to counteract the dumping and that is the standard rate fixed by the Government for anti-dumping legislation?

A. (*Mr. Carey.*) Yes. These are the words in the letter we received from home: "They were representing their case to Government in order to get the 33 per cent. Protection under the Safeguarding of Industries Bill and had every expectation of getting it. They are not able to find out the German manufacturers' cost, but are simply putting up particulars of their own costs and demanding Protection against the rates at which German paper is offered." Our figure of 33 per cent. is based on the actual difference between the German price and the price of our paper in pre-war days.

9620. *Q.* Your figure is independent of the home figure?

A. (*Mr. Carey.*) Yes, surely.

9621. *Q.* This dumping is from Great Britain at the present moment?

A. (*Mr. Carey.*) Yes, partly.

9622. *Q.* And Great Britain is asking for anti-dumping legislation against Germany?

A. (*Mr. Carey.*) Yes.

9623. *Q.* Great Britain would object to be hit by the big bullies, but they would not object to playing the bully themselves in India?

A. (*Mr. Carey.*) Of course, the dumping from England, I think, is more or less a temporary phase. I do not think that we need fear it for any length of time. What we are experiencing to a greater extent than the English dumping is the foreign dumping of which I have given many instances to you.

9624. *Q.* I can see that point. But if England gets a 33 per cent. protective duty and can distribute the standing charges behind that protective wall, would not England be able to adopt the same dumping procedure here?

A. (*Mr. Carey.*) Well, there is a possibility. We are not asking for Imperial Preference.

9625. *Q.* In fact you ask for Protection against England?

A. (*Mr. Carey.*) Against every country.

9626. *Q.* You may find England dumping in the same way as Germany?

A. (*Mr. Carey.*) Yes.

9627. *Q.* And by dumping what you mean is that they do not include standing charges to adjust the cost of manufacture?

A. (*Mr. Carey.*) The information we got before the war was that their idea was to reduce standing charges substantially. The German dumping prices were fixed on information from the Consulate here.

9628. *Q.* I propose to deal with one point of view which has not been dealt with by my colleagues, and that is the consumer's point of view. You have raised a fear that if you do not get this Protection you will be completely wiped out, *i.e.*, we shall have to depend entirely on imported paper. Is there any danger then that foreign countries, including England, will be able to make us pay for our paper more than we are paying at present?

A. (*Mr. Carey.*) I think there is very little doubt about that. Unless the mills had been here, you would have been paying higher rates already.

9629. *Q.* If you could prove that the consumer ultimately benefits by this 20 per cent. duty, you have an important argument.

A. (*Mr. Carey.*) Throughout the whole of the war period the mills here supplied the Indian consumers many crores worth of paper, both the Government and the bazar consumer, at prices less than prices elsewhere.

9630. *Q.* Can you prove that?

A. (*Mr. Carey.*) I think it is a fair statement. (*Mr. Carr.*) There are a great many people who cannot import paper, because they cannot take big enough quantities we supply them. (*Mr. Carey.*) The 30,000 tons that the Indian mills can put in the bazar here keeps the scales even.

9631. *Q.* You do not think that the competition between the German mills and the English mills would be sufficient Protection for the consumer?

A. (*Mr. Carey.*) Well, it might be. But against that you have to weigh the disadvantages to the country in other directions.

9632. *Q.* Can you give me an idea from the newspapers' point of view? Should I be charged one anna and one pice for the "Statesman"?

A. I do not think that the patriotism of the newspapers for supporting home industries will make them buy from us. We have carried them more than once during the war, when they could not get foreign supplies, but the moment they could buy from Sweden, they bought from Sweden and did not even give us a chance. I do not think you are going to affect them in any way.

9633. *Q.* I am considering it from the consumers' point of view. You are going to put your price up by 20 or 30 per cent.

A. (*Mr. Carey.*) The duty is now 11 per cent.

9634. *Q.* But you are asking for 30 per cent?

A. (*Mr. Carey.*) We are asking for 20 per cent. Protection, *plus* other assistance.

9635. *Q.* How do you suggest that newspapers could meet that extra 9 per cent?

A. (*Mr. Carey.*) They have a margin of profit, and I do not think it will fall on the consumer.

9636. *Q.* When people are asking for Protection in England, they are asked to prove that their mills are up-to-date. You have told us that new inventions are coming out every year. If you get this Protection, would not there be a tendency for your mill to stop keeping up-to-date?

A. (*Mr. Carr.*) 20 per cent. duty would not give us such a monopoly: it would not mean 20 per cent. profit, but we should naturally in self-defence always spend some profits on new processes.

9637. *Q.* When you find that you cannot keep your machinery up-to-date, would you come back and ask for another 5 per cent. or 10 per cent? Now, you have given us very big figures as to the number of people employed. Your statement of 36,000 people is for the Titaghur Paper Mills alone, and if you multiply that by 5, to allow for dependants you get something like 2 lakhs.

A. (*Mr. Carey.*) A very great deal of that is seasonal labour, upcountry labour.

9638. *Q.* It is not entirely at your disposal?

A. (*Mr. Carey.*) It works with us.

9639. *Q.* It does not depend entirely upon you for a living?

A. (*Mr. Carey.*) It depends upon us for 8 or 10 months.

9640. *Q.* As you know, if a general scheme of Protection is granted all round, it will cost the consumer perhaps a rupee a head. So your working expenses will go up on that basis by 2 lakhs of rupees. Have you considered that aspect of the question?

A. My answer to that is we are not asking for general Protection, but only against dumping in paper.

9641. *Q.* I am trying to suggest that other people are demanding Protection for their articles, and if we concede their demands, that will hit you. There is a demand generally for Protection, as you know. Otherwise we should not be sitting here, and as far as I can see, that is likely to put 2 lakhs of rupees on to your working expenses by raising the cost of labour.

A. (*Mr. Carey.*) Possibly.

9642. *Q.* Would the 20 per cent. duty still be enough, or is it rather like a snow ball?

A. (*Mr. Carey.*) I do not think that will increase our wages bill. We have already increased wages by 90 per cent. on the pre-war rate.

9643. *Mr. Birla.*—*Q.* Mr. Carey, will you kindly explain how your industry stands in efficiency in comparison with the foreign industries?

A. (*Mr. Carey.*) We are rapidly getting into order.

9644. *Q.* But at present, it is not so?

A. (*Mr. Carey.*) It is not completely.

9645. *Q.* Is it due to this reason, that you have not up-to-date machinery in your mills?

A. (*Mr. Carey.*) It is due, as I said, to the developments which have been made in most other countries during the period of the war, and also the present position in all mills in India is due to the fact that they had no money before 1916 to expend on more than just bare living.

9646. *Q.* No money to expend on up-to-date machinery?

A. (*Mr. Carey.*) Yes.

9647. *Q.* And if you find that the future of your industry is not very good, would you like to put your money into purchasing up-to-date plant?

A. (*Mr. Carey.*) Well, if we do not do that, of course the 20 per cent. would be no use to us.

9648. *Q.* If you find that the future is not very good, and if there is no 20 per cent. Protection, you would not like to put more money in up-to-date machinery for your mills?

A. (*Mr. Carey.*) Of course not.

9649. *Q.* And you think that if you get this Protection, you would put more money and purchase up-to-date machinery?

A. (*Mr. Carey.*) Absolutely.

9650. *Q.* And do you think it will also bring down the cost of production?

A. (*Mr. Carey.*) Yes.

9651. *Q.* And therefore you have no fear that if you get Protection, there will be inefficiency in your mills?

A. (*Mr. Carey.*) That is why I ask for Protection. It is to establish our industry.

9652. *Q.* Would you let me know the pre-war price for a lb. of paper which now costs 4 annas?

A. (*Mr. Carey.*) It was 1½ to 1¾ annas.

9653. *Q.* Has the cost of production increased during the war?

A. (*Mr. Carey.*) Do you mean the cost of production in other countries?

9654. *Q.* No, I am speaking of the cost of production in India. Has it increased during war time?

A. (*Mr. Carr.*) Yes, much more than double.

9655. *Q.* Can you kindly let me know what was the cost of production before the war and what it is at present?

A. (*Mr. Carey.*) You mean the cost of production for a lb. of paper in India?

9656. *Q.* Yes.

A. (*Mr. Carey.*) It was 1¾ to 2 annas before the war. It went up to 6 or 7 annas during the war.

9657 *Q.* From 1¾ annas it has gone up to 6 or 7 annas?

A. (*Mr. Carey.*) Yes. That was during the war, but it must be less than that now. It is not that cost now.

9658. *Q.* Has it come down?

A. (*Mr. Carey.*) It has come down considerably. (*Mr. Carr*). May I supplement our answer to your question about efficiency? Our mechanical efficiency has improved very largely, but our personnel has not. There is no question that the labour we use here does not compare in efficiency favourably with the foreign labour. We have to employ so much more.

9659. *Mr. Mant.*—*Q.* There is only one point on which I want you to give us a little more information, and that is about the future prospects of your raw materials. I understand from what you said just now that your mills are situated a long way from your field of supply of raw materials, and you have represented that you have great difficulty in getting them. I understand that you have to go farther and farther afield for grass. It has not been established whether bamboo pulp would be a sound proposition or not, and the forests of India have not been exploited for wood pulp. So, can you assure us that you have sufficient raw materials in India to justify your demand for Protection?

A. (*Mr. Carey.*) I would say that we have.

9660. *Q.* Can you give us a little details? In what form?

A. (*Mr. Carey.*) In the form of grass.

9661. *Q.* The difficulty is to get it to your factory?

A. (*Mr. Carey.*) The difficulty is particularly by reason of the Railways. They are unable to carry the quantity we want. If, at the present time, the Railways could carry all the grass we could offer, we should not be importing wood pulp at all.

9662. *Q.* And you have a sufficient permanent supply of grass?

A. (*Mr. Carey.*) Yes, to supply all the mills that exist at present.

9663. *Q.* And to supply the needs of all the paper mills in India if the manufacture expands?

A. (*Mr. Carey.*) Then, I think other materials would come in undoubtedly. There are several other fibres comparatively near to the ones we are using.

9664. *Q.* Grass?

A. (*Mr. Carey.*) Grass fibres and bamboos, but bamboos would need a little more investigation.

9665. *Q.* And you are satisfied that you have a sufficient supply of raw materials in the country?

A. (*Mr. Carey.*) The present needs of India for paper could be undoubtedly suppiled: the present imports *plus* the output in the country could be undoubtedly supplied in the country.

9666. *Q.* As a permanent arrangement?

A. (*Mr. Carey.*) Yes, as a permanent arrangement.

9667. *Q.* And these grass supplies are being annually renewed: they will not be exhausted?

A. (*Mr. Carey.*) They are an annual growth. They would require careful handling and careful cutting, but you could look upon that as capable of being annually renewed.

9668. *Sir Maneckjee Dadabhoy.*—*Q.* What is the total number of paper mills in India?

A. (*Mr. Carr.*) Seven or eight.

9669. *Q.* All over India?

A. (*Mr. Carr.*) In all India, yes.

9670. *Q.* There are other mills projected, I understand. Can you give me the total capital invested in the industry in India?

A. (*Mr. Carey.*) I cannot do that off-hand.

9671. *Q.* Are these mills British, Indian or foreign?

A. (*Mr. Carey.*) I think there is one in the Mysore State: it is a State mill. There is another mill, owned by an Indian syndicate, and there is another mill in Madras which, I am also informed, is Indian.

9672. *Q.* And how do you account for these new mills being projected when your industry is in a precarious condition?

A. (*Mr. Carey.*) They are taking rather a leap in the dark. That is our own impression.

9673. *Q.* I gather from your evidence that out of the 80,000 tons of paper consumed in the country, the paper mills in India are supplying 30,000 tons, and that works out at nearly 40 per cent. Don't you think that that in itself is an evidence that your industry is in a very favourable position?

A. (*Mr. Carey.*) That percentage would very shortly disappear if we do not get Protection against dumping. It will be all imported paper then.

9674. *Q.* But assuming that this 33 per cent. Protecton is given to England, any amount of Protection given to you people will not put your industry on an equal footing with the industry in England. I mean that you will not be able to stand against England?

A. (*Mr. Carey.*) We are not afraid of the competition from England in that respect.

9675. *Q.* I want you to elucidate your position. I feel that no amount of Protection will save you if England gets this 33 per cent. Protection, and I want you to develop your point that you do not fear competition from England and clear up the matter.

A. (*Mr. Carr.*) The first effect of the 33 per cent. Protection would be to lessen English imports, because the increased production in England under the protective tariff would be utilised to supply the English market. Therefore, to start with, there will be a falling off in exports from the United Kingdom.

9676. *Q.* You mean that the United Kingdom will supply its own demand entirely out of its production, and that will give you a temporary period to resuscitate your industry?

A. (*Mr. Carey.*) Yes. The 33 per cent. Protection to England will also be temporary.

9677. *Q.* Government, you stated, is already buying 7,000 tons of paper from you annually?

A. (*Mr. Carey.*) Yes.

9678. *Q.* Is not that itself Protection to your industry?

A. Yes. We want that continued.

9679. *Q.* And Government is buying from you at a higher rate than the bazar rate?

A. (*Mr. Carey.*) It is so just at the immediate moment. (*Mr. Carr.*) That is on a contract. When the contract was made with Government, the price to Government was very much more favourable than to the bazardealer.

9680. *Q.* With a view to developing your industry, Government is giving you a higher rate as a matter of fact?

A. (*Mr. Carey.*) No. (*Mr. Carr.*) They always get paper at a lower price than that at which we sell to the bazar. Before the war it was 15 per cent. lower. We are willing to give an advantage to Government in return for the advantage that their large lines of paper making are to us.

9681. *Q.* Will you please tell me what is the total tonnage consumed by Government?

A. 10,000.

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9682. *Q.* There is only a margin of 3,000 tons left which you also want Government to take up as a sort of support?

A. By putting money into development we could bring out the best classes of paper.

9683. *Q.* You want the raw materials to come in free. But I understand from you that only 15 per cent. of your total consumption comes from abroad?

A. (*Mr. Carey.*) That is fibre. Only 15 per cent. of fibre. That is a very small proportion of the value of the total raw materials.

9684. *Q.* What are your imported raw materials?

A. At present practically all the chemicals used, and wires, machinery, machine clothing, stores, lubricating oil, all kinds of colours, dyes, etc., are imported. (*Mr. Carr.*) For some papers which are important for our manufactures, we have to import 25 per cent. of the raw material and 15 per cent. of the whole lot is fibre.

9685. *Q.* Then I understand that, so far as your industry is concerned, it is divided into two classes. The cheap paper industry is unsuitable to this country. It is only in case of good class paper that you can possibly compete with the foreigner?

A. (*Mr. Carey.*) The cheapest grades are made out of mechanical pulp. There is nothing suitable here in this country to make it at all. The middle grades are the ones in which we compete, and on the brown papers.

9686. *Q.* Under what classification would you put brown paper, middle grade or cheap grade?

A. That is a low grade.

9687. *Q.* There is a large demand in India for brown paper?

A. (*Mr. Carey.*) A fair demand.

9688. *Q.* There is always a large margin of profit in brown paper?

A. (*Mr. Carey.*) No.

9689. *Q.* Can you not meet the demand for brown paper in the country altogether and stop imports?

A. (*Mr. Carey.*) Brown paper is made from the waste of the manufacture. Every mill will have to make some, whatever they sell it at. We do not make more than we have to, because the price is so bad.

9690. *Q.* Is not your industry generally now suffering more from over-production, which is the after result of the war than from any other intrinsic cause?

A. (*Mr. Carey.*) Temporarily, yes. But as I said at the beginning, we are asking for the 20 per cent. anti-dumping based upon our experience before the war, and not on the present day experience. I am quite prepared to scrap all the instances I have given at the moment.

9691. *Q.* Then, in your last paragraph, you ask for various things. The catalogue of demands is very formidable, and like Oliver Twist you have asked for more in the hope of getting something. Will you be quite satisfied with 20 per cent. import duty?

A. (*Mr. Carey.*) No. If you force us, we take our stand on the first and on the last three.

Witness No. 65.

Oral evidence of Mr. R. S. Pearson, C.I.E., I.F.S., F.L.S., Forest Economist, Forest Research Institute, Dehra Dun, Calcutta, the 11th January 1922.

(This witness did not submit any written statement.)

President—9692. *Q.* You have heard, Mr. Pearson, the whole evidence that these manufacturers of paper gave, and the Commission will be very grateful if you will enlighten them with your views on the aspect of the question which has been put before the Commission by them.

A. Dealing with supplies, I do not quite agree that they were correct in their statement. They have hardly got sufficient grass to work up to their full capacity. They could not increase 5,000 tons on their present output if they were asked to do so. In other words, they have not got the raw material. If they want to expand, it might be done by importing sulphide spruce or by using other new materials. Another point is that during the last 10 or 12 years there has been intensive cropping and the grass has deteriorated considerably. That is the reason they are now going all so far afield to get their supplies, the fields nearer being very much depleted. It is, therefore, questionable whether the pulp industry which has been going on for 40 or 50 years could really continue even if paper making industry did not expand at all. I know that they have now to go to Hoshingabad, Central India, Sambalpore, etc., in Bihar and Orissa and the Punjab. Raw material is not easily available and they are paying Rs. 2 per maund for it landed in Calcutta.

9693. *Q.* What were they paying before?

A. Before the war it was somewhere in the neighbourhood of Rs. 1-6-0 or Rs. 1-8-0. They require 2½ tons raw material to make a ton of sabai pulp. That is the position. I think it is somewhat doubtful whether they will not be driven to other materials.

9694. *Q.* What are the prospects of getting other materials?

A. All these firms have gone very closely into the bamboo question, which is a good proposition and I think they will put up bamboo pulp factories. In fact they will be forced to do it. I think both the firms in question, if they got a good bamboo lease, would put up pulp mills. They have got the money to do it, and will probably do so. What will hit them is dumping. They are no doubt very hard hit at the present moment. In about 1911 or 1912, dumping placed them in such a position that they seriously considered closing down. You probably know that there are three bamboo mills already in India and it is perfectly certain that they will expand. I know the mills very well, having been in touch with them for a number of years.

9695. *Q.* In what parts of the country are the three mills?

How would supplies from those mills be available?

A. There is a bamboo pulp mill in Calcutta, and they get their bamboos from Chittagong. They know that they can produce the pulp very much cheaper than imported pulp. There is no doubt about that. I will give you roughly the actual figures of cost, in decimals. The cost of making bamboo pulp is 1·9; sabai 2·8, imported sulphide spruce at the moment is somewhere about 2·75. Lot of imported pulp was offered recently at 2.5 instead of 2·75. Mr. Ratt, my section officer in charge of pulp, has been unable to come to give evidence as he is sick. He knows the Bengal Paper Mill for the last 8 years, and has gone closely into the question of bamboo. For the last 8 or 10 years he has been working for Government, and he put up a note for me before I came here. The note contains his idea of the position of affairs, in connection with the paper industry and may therefore be of interest. He says "I do not think under normal conditions of competition, Indian paper making will require any special form of Protection, but their market-conditions are undoubtedly frequently made difficult by dumping of surplus European production in the local markets. I would support any system of Protection against these people which can be devised, provided it did not in practice resolve itself into a system of general Protection." That is the position. He has been connected with the business for 30 years.

9696. *Q.* What do you think are the prospects in India for a permanent supply of bamboo pulp?

A. I think they are excellent. We have carefully gone into the question of cropping and carried out experiments in Burma. With a four-year cropping period, the bamboo in no way deteriorates. We laid out sample plots and cropped bamboos under various rotations and, with a four-year rotation, found that at the end of 10 years there are more bamboos on the area than there were when we started cutting. I have inspected many areas in India during the last 10 years and I am of opinion that the bamboo supply is assured, if you do not cut them more than every 3rd or 4th

year. The only difficulty with bamboo is when it flowers, it dies completely and then comes up again from the seed and it takes 8 years from that time to come to maturity. I am speaking very generally, as there are 123 species of bamboos, but I have given you a rough idea of the position of affairs as far as continuity of supply is concerned.

9697. *Q.* If bamboo pulp could be made so cheaply as you have indicated, 1·9 against 2·9, and if that bamboo pulp becomes available for the manufacture of paper, the Indian factories will be able successfully to stand in competition with foreign-made paper?

A. I think they would. They would probably also be able to export. We all think that they will be able to export in the end. The people who were just cross-examined have spent many lakhs of rupees on bamboo experiments. It was only when throttled, the lease was by impossible conditions, that they turned it down. The lease was hedged round with so many conditions that it was impossible to work it. I went over the area myself and found it to be a very fine area extracting bamboos but unworkable under conditions imposed.

9698. *Q.* That is Government again?

A. Yes.

9699. *Q.* You said that the industry does need some kind of Protection against dumping?

A. It does.

9700. *Q.* What would be your line of Protection?

A. I really could not suggest a reasonable method except possibly to base it on the price of paper at home and the price out here *plus* the freight to India and other dues. I am not in a position to give an opinion on this question.

9701. *Q.* Do you think that if some form of Protection is not given to the industry, it will not be able to stand against dumping?

A. No, not in the present state. It will take some years before they will be in a position to stand on their own, that is, until they make bamboo pulp.

9702. *Q.* What are the bamboo mills?

A. Yules Mill; Jamals mill; and there is also a mill in Cochin.

Sir Edgar Holberton.—9703. *Q.* Do you think that the difficulties of converting bamboo into pulp could be got over?

A. Yes.

9704. *Q.* As regards the question of bamboo, don't you think that supply is the greatest difficulty all over India?

A. One of the difficulties is that the local interests clash with this business. Petty traders make objections which are listened to, and very probably they are cutting their own threats, because people could get bamboo in large quantities to the bamboo pulp mills.

9705. *Q.* Another difficulty probably is that the local Governments suddenly discovered that the bamboos were wanted and therefore they charged much for it. I should like to have your opinion on this.

A. I do not think that has been the difficulty. It was the local traders who caused the difficulty.

9706. *Q.* It was not the Government rates that killed that contract?

A. No. The Government asked for only a very small rate, which has no effect on the situation whatsoever. It was only a rupee a ton or something like that.

9707. *Q.* The difference between bamboo and grass is that really nobody else wants grass, whereas every villager wants bamboo. In Burma every villager lives on it?

A. Surely. But the actual amount exploited in many localities is not 5 per cent. of the total supply.

9708. *Q.* There are different varieties of bamboos?

A. India being a very big country with very varying climates, there are different varieties of bamboo in different parts, as in Burma, the West Coast, Assam, etc. For pulp purposes you may say that 2 or 3 species are available in large quantities and one in Arakan.

9709. *Q.* They represent 70 or 80 per cent. of all bamboo?

A. Yes.

9710. *Q.* You think that Government should assist in every possible way?

A. Government ought to assist but when they hedge their leases with a hundred and one points, which do not affect the situation possible lessees get frightened.

9711. *Q.* The position becomes more precarious on account of the Government lease? It is a monopoly of the State?

A. As matters stand at present, it is absolutely a question of giving a lease and not a question of being able to manufacture bamboo pulp at a profit, a point which is generally accepted by paper-makers obviously. If you cannot get a lease from Government, the industry comes to an end.

Mr. Narottam Morarjee.—9712. *Q.* How does the cost of bamboo pulp compare with that of the pulp from Norway, Sweden and Austria?

A. As I told you the costs are as 1·9 and 2·75.

9713. *Q.* We are in a position to make pulp cheaper?

A. Obviously. Paper-makers in India know it themselves.

Sir. Edgar Holberton.—9714. *Q.* Knots were the great difficulty. They have got over it now?

A. Yes.

Mr. Rhodes.—9715. *Q.* Your firm and definite idea is that the trade does need Protection from dumping periodically?

A. It does.

9716. *Q.* Supposing it needed 30 per cent. Protection against dumping every third year; would it not be difficult to decide when dumping started and finished? Would it not be better to have a 10 per cent. duty throughout the three years?

A. I am not in a position to express an opinion on that point. But I quite see the difficulty.

9717. *Q.* Apart from the dumping if the industry was to put its house in order, then it is really an industry that India can compete in.

A. Yes. But they will be forced to take up the bamboo business whether they like it or not.

Mr. Mant.—9718. *Q.* Does the grass reproduce itself every year?

A. It does; but the root stock of sabai lasts for only about 3 years. New root stocks coming on from seed. They gradually grow up and last two or three years, but they are reduced very considerably in quantity by over-cropping.

9719. *Q.* Then the stock is likely to be exhausted?

A. Yes, unless cultivation or tending is introduced.

9720. *Q.* Are supplies of bamboo pulp available in the market or does the comparative price you gave us of the bamboo pulp represent merely the cost price of manufacture?

A. You could not go into the market and buy unlimited quantities of unbleached pulp but you can get certain quantities from time to time.

9721. *Q.* What has happened to the bamboo concession which had been given in the Canara district in Bombay?

A. They gave it up as they could not make it a success.

9722. *Q.* Are the present pulp factories attached to paper mills?

A. The Jamal mills in Burma are purely making pulp and supplying other paper mills. They did very well during the war but they had a poor class of machinery, which cannot turn out sufficiently good pulp to meet post war requirements.

Sir Montagu Webb.—9723. *Q.* I understand that in your opinion it would be suitable to give some sort of encouragement to this pulp making industry?

A. I do not think the pulp making industry needs any Protection.

9724. *Q.* With regard to transport you do not anticipate that there would be any difficulties?

A. No.

Mr. Narottam Morarjee.—9725. *Q.* Can you keep these bamboos without deteriorating?

A. It is not easy to answer that question. As an example I may say that we gave Titaghur 500 tons of bamboo as an experiment; they hadn't the pulp machinery and there the bamboo lay for over 1½ years and it was absolutely black at the end of that time and considerably bored by beetles. We never made better pulp than with that bamboo.

Sir Montagu Webb.—9726. *Q.* Why I asked about transport is that in America on the Ottawa river the timber is floated down the river from the forests direct to the pulp mills at Hull, so that very little transport expenses are therefore incurred. The logs go straight off into the mills and they come out in the form of pulp. There are practically no transport expenses at all.

A. The bamboo proposition is exactly the same in this country. You have a floating system in Cocanada and Malabar and the streams running down the Ghats.

Witness No. 66.

The Bengal National Chamber of Commerce.

Written Statement dated the 23rd December 1921.

9727. *Q.* 1. The Committee are in favour of a policy of Protection in India, and are of opinion that a protective tariff is necessary, especially for the nascent industries of India. India feels that she possesses qualifications of industrious and intelligent workers, immense undeveloped tracts of cultivable land, ample products of every useful kind, cheap and sufficient labour and commercial ability among the educated classes. She has also the necessary capital, provided the Government gives a helping hand by adopting a policy which will give Protection to indigenous industries. The position of the capitalist, was clearly stated by the Rt. Hon'ble Mr. Arthur James Balfour when he said that the manufacturing capitalist when investing his money in costly plant, has, in any case, many risks to run—new discoveries, new inventions, new fashions. Add to this his loss, actual or anticipated, through the operation of foreign Protection, and his burden becomes insensibly increased. This is serious, but this is not all. The "unprotected" manufacturer is not only attacked at home but abroad. Under these circumstances, it is evident that a policy of Protection is necessary for nascent industries in India. Moreover, as long as flourishing industries are not established in the country, *i.e.*, as long as agriculture depending on the caprice of the clouds remains the only occupation of the masses, so long will India be in constant danger of famines and scarcity. The employment of labour in industries, other than the universal but insecure industry of agriculture, will bring about ability in the masses to avert the disastrous consequences of failure of the monsoon and develop in them a greater capacity for bearing the burden of taxation. After the German War, even England which depends for 78 per cent. of the supply of her foodstuffs upon overseas supplies, has adopted Protection in the case of some industries. The arguments in favour of a policy of Protection which apply in the case of other countries apply with even greater force to India.

9728. *Q.* 2. In the case of India, a tariff provides a more suitable form of taxation and if fresh taxation has to be resorted to, increase in customs calculated to help industries would be found preferable to direct taxation.

9729. *Q.* 3. A tariff is advocated for revenue as well as protective purposes. A classification of imported articles is suggested in the case of industries which India wants to foster, *i.e.*, for which she possesses special facilities. The highest rate of duty should be provided for finished articles and of a lower rate for semi-finished goods, while no duty should be imposed on machinery and other factory requisites and raw materials used for the purpose of establishing and maintaining industries in India.

9730. *Q.* 4 & 5. The tariff should not continue to be based on the existing principles. The existing principles have been adopted with a view to safeguard foreign industries and has resulted in the decay and destruction of Indian industries. The example of the cotton industry is well-known. More than 20 years back, Lord Landsdowne referred to the cotton excise and said "There has never been a moment when it was more necessary to counteract the impression that our financial policy in India is dictated by selfish consideration." The tariff should be based on the principle of Protection for indigenous industries and the augmentation of the revenue. The continuation of the present policy will only hamper India's industrial progress and make her poverty problem still more difficult to solve.

9731. *Q.* 6 & 7. There should be no excise duty, as that will exercise a baneful influence on the industries, counterbalancing the benefits of an import duty.

9732. *Q.* 8. Excise is ordinarily sure to raise prices and thus give an advantage to foreign goods which compete in the Indian market.

9733. *Q.* 9. The main idea of Protection is to develop and keep for the country its home industry, supply its own needs with its products, and then try with the surplus products to compete in the foreign markets. The establishment of Indian industries will give employment to Indian labour, save freight and insurance, and make the country independent of other countries for her supplies. It will make labour more organised and will be conducive to the prosperity and contentment of the people.

9734. *Q.* 10. The resources of India, when fully developed, will, it is hoped, make her independent of other countries in most of her requirements. It is difficult to furnish a list of articles for which India shall have to depend on foreign supplies. But experience will show what commodities it will be of advantage to India to import from foreign countries.

9735. *Q.* 11 & 12. With a view to develop Indian industries the Committee would like to commence with the imposition of protective duties on some imported articles—for the production of which India possesses special facilities—and extend Protection to other articles, if necessary. The Committee would select, for instance, textile, sugar, bolts and nuts, tanned leather, rice bowls and other cast-iron articles, matches, cutlery and salt (provided the excise duty on salt is reduced or abolished.)

9736. *Q.* 13. In the opinion of the Committee it is desirable to establish new industries by Protection—especially, new industries which produce necessaries and articles conducive to health and decency. Protection should firstly be given to industries for which raw material would be easily available in the country.

9737. *Q.* 14. It goes without saying that Protection should, in the first instance, be given to industries which are likely, after some time, to withstand foreign competition even without Protection. But at the same time it must be said that industries which are necessary for national safety should be given Protection, irrespective of any consideration of their ability in the future to face foreign competition.

9738. *Q.* 15. Special Protection should be given against foreign goods favoured by such measures as dumping, bounties, subsidies or transport concessions; but the Protection should be limited to goods, for the production of which India possesses especial facilities, or goods which Indians want to produce in the country for purposes of national safety.

9739. *Q.* 16. Hand industries should be encouraged. The climatic conditions, the social system, and the traditions of the country are favourable to such industries. This has been very ably pointed out by Sir George Birdwood in his "Industrial Arts of India". The hand-loom industry is by no means an insignificant industry in the country. It gives, moveover, employment to the women who cannot work outside the house, and who would, in its absence, be driven to mills and factories in what may be called the wilderness of a city with its trials and temptations. Mr. A. C. Chatterjee, in his "Notes on the Industries of the United Provinces" pointed out that hand-looms manufacture at least one-third the quantity of the cloth consumed in the United Provinces, and about half a million of the population earn their livelihood by hand-loom weaving, while another half a million are dependent on the actual workers. The writer of the Government of India Note on "Hand-loom weaving in India" has pointed out that there are several factors in favour of the hand-loom:—

(1) The hand-weaver's plant represents a small capital and can be kept in use for many years.

(2) The nature and amount of labour requisite for the great variety of design in the more artistic and elaborate garments precludes machine competition in such articles.

(3) The strength and durability of the coarser hand-loom articles recommend them to the cultivator for rough use.

(4) The hand-weaver has a low standard of subsistence, and has also considerable advantage through his inherited skill in the weaving of the finer articles.

Mr. Coubrough, in his recently published "Notes on Indian Piece Goods Trade" (Bulletin of Indian Industries and Labour No. 16, November, 1921) says — "It will no doubt come as a surprise to many of the students of the problems presented by the Indian piece-goods trade to realise the importance of the hand-loom industry. It will

be noted that, except during the war period, hand-loom production kept pace almost uniformly with mill production and tended in the years following, with the exception of the famine year 1919-20, to maintain its position in this respect."

It has also to be remembered that the hand-weaver often combines the industry with other occupations — notably agriculture.

9740. *Q.* 17. It cannot be said that there is no chance of such combination, but the chance of combination is now very remote unless industries are well established. It is difficult to suggest any remedial measures at the present moment.

9741. *Q.* 18. The probability is that British and foreign industrial firms will come to establish mills and factories in India. But even the establishment of industries by foreign companies is preferable to our entire dependence on foreign supplies. That, moreover, will afford employment to Indian labour, save freight and insurance and may be a training ground for Indians. But India already pays a heavy sum every year as interest on foreign investments and an increase of this burden is hardly desirable. It would, therefore, be useful to adopt measures to exercise some control over the influx of foreign capital.

9742. *Q.* 19. In the present circumstances of India, we need have no such apprehension. The rival claims of conflicting interests can be easily adjusted.

9743. *Q.* 20. and 21. It is likely that there would be a temporary rise as the result of the imposition of an import duty. But the prices will be regulated by the law of demand and supply. Moreover, a portion of the increase must be always borne by the manufacturer sout of the margin of profit. And with the development of industries in the country, prices will eventually come down and the ultimate benefit to the people by the development of industries will more than compensate for the temporary rise in prices.

9744. *Q.* 22. The Committee would be willing to accept an increase in prices for the sake of developing industries in India.

9745. *Q.* 23. A rise in the price of necessaries is of greater moment than a rise in the price of luxuries. So in the case of necessaries, the duty should not be fixed so high as to enable local producers to raise their prices to the great disadvantage of the consumers. In the category of necessaries, the Committee would include articles of food, clothing and medicines, etc.

9746. *Q.* 24. In the case of the industrial labourer a rise in wages will occur. The agricultural wage-earner too will not lag behind. But the middle classes will only be able partially to cover the increase in the cost of living by an increase in income. They are, as Sir H. H. Risley pointed out, already the worst sufferers by the rise of prices and it is likely that the rise in their income will be proportionate to the increase in the cost of living.

9747. *Q.* 25. It is likely that the adoption of a policy of Protection would result in some decrease in the foreign trade of India. But with the growth of industries in the country, there will be a greater reduction in the value of imports than in the value of exports, which will automatically help the balance of trade in India's favour.

9748. *Q.* 26. A tariff which could be used as an instrument for bargaining with other countries would prove an effective weapon for purposes of economic self-defence.

9749. *Q.* 27. To start with, the adoption of general and especial tariffs cannot be advocated. It must depend on the treatment actually received by India at the hands of other countries.

9750. *Q.* 28. It would be necessary to make the tariff more detailed and to re-consider it from time to time.

9751. *Q.* 29. It would be necessary to have a permanent organisation. In this connection it should be noted that the Member for Commerce should be its President and the Member for Revenue and Agriculture and the Member for Finance its Members. The other members should represent the different Provinces and important interests, and should be selected from among nominees made by commercial bodies. But the organisation should consist of a substantial majority of Indians.

9752. *Q.* 30. The export duties may and should be utilised for the purpose of revenue and bargaining and also for the purpose of retaining foodstuffs and raw materials necessary for the industries in India.

9753. *Q.* 31. The effect of such duties depends on several circumstances especially the competition of other countries, the possibility of substitution, and the keenness of demand in the purchasing countries. In the case of some commodities such as jute, shellac and opium a moderate duty may be safely imposed. But care should be taken not to make the duty so high as to discourage export altogether.

9754. *Q.* 32. The effect on production will depend on the rate of duty imposed. A duty may not necessarily mean a reduction in imports or exports. Trade tends to follow established and natural channels as long as it does not meet with an insuperable obstacle. Some duty to suit the circumstances may be imposed on raw materials which India will be able to utilise easily. But the duty should not be such as would enable the local purchasers to dictate their price. "During the last war when there was no export of jute to foreign countries, the local mills made a profit of over hundred per cent., while the price of jute received by the cultivators did not even cover the cost of production. This is likely to happen if, as the result of a prohibitive export duty, export of materials to foreign countries receives a check.

9755. *Q.* 33. There should be a sliding scale of duty to preclude the possibility of an adverse effect being produced on the agriculturist. The fact that the embargo on foodstuffs during the German war did not materially affect the price shows that a moderate duty will not result in a loss to the producers. It also gives colour to the opinion given currency to by many Indians that we want more food grains to feed our own countrymen than we get. The evidence of Sir Charles Elliot that many Indians never know what a full meal is has truth in it. In this connection it may not be out of place to point out that the Railway policy requires radical change. Railways in other countries are constructed mainly with a view to the stimulation of internal trade and home production, whereas in this country, the policy is determined chiefly by a consideration of its foreign trade. With favourable Railway rates, the country will be able to consume more foodstuffs than at present. Agricultural production should be stimulated by irrigation and scientific methods of agriculture.

9756. *Q.* 34. Such a retaliatory policy is surely to be of advantage to India. But the duty should not be very high, as a cessation of exports will enable local industries to make a profit at the expense of the producers.

9757. *Q.* 35. As at present situated, Imperial Preference will place India at a distinct disadvantage. An analysis of the imports and exports of India will show that about a fourth part of the imports comes from outside the British Empire, and for the manufacture of these goods, facilities are wanting in the Empire ; and more than half the exports go to foreign countries. A policy of Imperial Preference may lead the foreign countries to retaliate. Moreover, the treatment that Indians receive in parts of the Empire where they are not even allowed to land freely may make them oppose any scheme of Imperial Preference. Even Europeans in India decline to finance Indian industries—as was pointed out by Mr. Swan in his report on the industries of Bengal. All this combined, lead Indians to the conclusion that at present India cannot consider the question of adopting a policy of Imperial Preference. In this connection, it would not be out of place to point out the attitude of the local European jute mills which, even when buying jute from Indians, would not buy it through Indian brokers, but would do so only through European brokers. Another injustice done to Indian enterprise is that the local mills do not accept shipment of jute to their mills by vessels of carrying companies owned and managed by Indians, even when sellers insist to send goods through Indian companies and the vessels are as well-built as those owned and managed by European companies and the rate of insurance is the same.

9758. *Q.* 36. No such difference need be made.

9759. *Q.* 37. Material loss and retaliation by foreign countries must be apprehended.

9760. *Q.* 38. As the Committee cannot support a policy of Imperial Preference, it is not necessary to discuss this question.

9761. *Q.* 39. The question does not arise.

9762. *Q.* 40. The British manufacturers are likely to raise the price and that would result in a distinct loss to the consumers.

9763. *Q.* 41. Imperial Preference would upset the balance of trade.

9764. *Q.* 42. Such a diversion will have an adverse effect on Indian trade.

Messrs. SRECALI GHOSH and J. C. MITTRA, representing the Bengal National Chamber of Commerce.

Oral Evidence, dated Calcutta, the 12th January 1922.

9765. *President.*—*Q.* You represent the Bengal National Chamber of Commerce?

A. (Mr. Mitra.) Yes.

9766. *Q.* You are in favour of a policy of Protection?

A. Yes.

9767. *Q.* Your Chamber say that "as long as flourishing industries are not established in the country, *i.e.*, as long as agriculture depending on the caprice of the clouds remains the only occupation of the masses, so long will India be in constant danger of famines and scarcity." Do you think that the establishment of industries would afford relief in famines and scarcity?

A. (Mr. Ghosh.) Yes.

9768. *Q.* How? By giving larger employment?

A. (Mr. Ghosh.) At present most of the people are engaged in agriculture. If anything happens to agriculture, then the whole population is helpless. But if there are industries, at least half the people will be occupied in different professions instead of agriculture, and then famines and scarcities will not affect them seriously. They can help each other, the agriculturists can help the industrialists and the industrialists can help the agriculturists.

9769. *Q.* There are two points which have been brought to our notice in connection with this statement of yours. The first is that if a large number of people employed in agriculture is drawn to industries, then some of the area under cultivation will go out of cultivation because agricultural labour will diminish and the quantity of food-grains will diminish. The second is that even at present the various industries established in the different parts of the country find difficulty in getting adequate labour so that if further industries are established, there will be a diminution of labour: labour will be drawn from a quarter where the withdrawal would unduly lead to diminution in agriculture. What are your views in regard to these two points, especially when you say that the constant danger of famines and scarcities will be eliminated by the establishment of industries?

A. (Mr. Ghosh.) My view is that at present the agriculturist does not get sufficient land to cultivate (at least in Bengal). There is less acreage for each man, and so it does not feed him properly. Industries always require men to work, and if they grow, more people will be engaged and people will have more land to cultivate and eat more. (Mr. Mitra.) Our general view is that here at least in Bengal there is no paucity of labour.

9770. *Q.* We were told that there is paucity of labour both in the coal fields and industries.

A. (Mr. Mitra) There is sufficient labour. There is of course a surplus population.

9771. *Q.* I am talking of unskilled labour.

A. (Mr. Mitra.) We can have as many as we like if we establish industries. As far as Bengal is concerned, the drawing of a portion of labour from agricultural occupation will not affect agriculture. I have no experience of other parts.

9772. *Q.* Why?

A. (Mr. Mitra.) Because there is sufficient labour. There are many who are sitting idle practically for want of land.

9773. *Q.* Then you think that the complaint of inadequate labour for extension of industries is not well founded?

A. (Mr. Mitra.) No. I do not think so.

9774. *Q.* Have you any grounds for thinking so?

A. (Mr. Mitra.) I have no figures to quote just now. But that is my experience. (Mr. Ghosh.) There are 575 people per square mile, and if land divided among the people comes to less than an acre, this is not sufficient to feed them. Besides, there should be diversity of occupation.

9775. *Q.* That is a different matter. I was merely dealing with the avoidance of the danger of famines and scarcities to which you refer.

A. (Mr. Ghosh.) Diversity of occupation will help to minimise the trouble. Everybody will not have to depend on agriculture. That is our idea.

9776. *Q.* You say that after the German war even England has adopted Protection in the case of some industries. What do you refer to here?

A. (Mr. Mitra.) We mean the Key Industries Act of 1921 has protected many industries. There is practically some sort of Protection in England.

9777. *Q.* Is there anything else which would justify your saying that England has adopted protection in the case of some industries?

A. (Mr. Mitra.) I have no ground for that. My idea is that if England is going to adopt a tariff which will be to protect some of the industries . . . .

9778. *Q.* Is going to adopt? She has not done it yet?

A. No.

9779. *Q.* In answer to Questions Nos. 4 and 5, you say that the principles underlying the existing tariff have been adopted with a view to safeguard foreign industries, and that they have resulted in the decay and destruction of Indian industries. Will you please explain what you mean by this statement?

A. (Mr. Mitra.) Our idea is that the tariff policy of India has been framed more for the interests of the foreign trade than for the internal trade.

9780. *Q.* You make two statements in this reply. The first is that the existing tariff has been adopted with a view to safeguard foreign industries and the second is that the result has been the decay and destruction of Indian industries. Will you please tell the Commission what you really mean and how you would substantiate those statements?

A. (Mr. Ghosh.) Because India cannot compete with the foreign manufacturers in most of the lines, and the duty being too low there is no Protection for the Indian trade.

9781. *Q.* You make a statement that the policy has been adopted with a view to safeguard foreign industries. It really implies that the Government of India deliberately adopted the policy for the purpose of promoting foreign industries.

A. (Mr. Ghosh.) For instance, formerly the excise duty on cotton and the cotton import duty were both 3½ per cent. They did it to safeguard the Lancashire interests. Now, of course, the import duty has been raised to 11 per cent. and the excise duty stands at 3½ per cent. There is a difference in favour of India. (Mr. Mitra.) But duty has been levied on machinery. (Mr. Ghosh.) Machinery is now being charged at 2½ per cent. That was duty free before. There are certain raw materials which we buy from foreign countries. The raw materials have to pay 11 per cent. duty, while the imported finished article also pays 11 per cent. duty. India is not favoured by this.

9782. *Q.* You think that the present policy, which imposes a uniform scale of import duties, adversely affects the industries of India, because the raw materials imported into India and the finished goods all pay the same duty. But is there any large quantity of raw materials in any direction which India imports?

A. (Mr. Ghosh.) India has to import many things, heavy chemicals, fine chemicals, special kinds of steel manufactures, cutlery, etc. I am interested in some of these industries, and I see that the Government policy won't allow me to take the raw material from India and that I have to buy from foreign countries. I have to pay 11 per cent. for those raw materials, while the finished article comes in at 11 per cent. also.

9783. *Q.* This is because the policy has so far been Free Trade. Is it not?

A. (Mr. Ghosh.) Yes.

9784. *Q.* You say that Government will not allow you to buy your raw materials in India and therfore you are obliged to import them from abroad. Will you tell me what you mean by Government not allowing you to buy raw materials in India?

A. (Mr. Ghosh.) There are big forests of juniper trees in Baluchistan. I wanted 40 to 50 trees each year for my pencil factory. Statistics will show that each year more than 40 to 50 trees die a natural death. Government's objection was that if they allowed to cut 50 trees, the rainfall would be short. Then again we explained to Government that while more than 50 trees were dying a natural death every year, there was no question of the rainfall becoming short. Then they said that they required these trees for mobilisation purposes. (Mr. Mitra.) This was narrated to the Industrial Commission a few years ago. (Mr. Ghosh.) I then found cedar wood selling in Quetta as fire wood. We sent two or three lots by Railway and one

lot *vid* Karachi. We found the transmission charges prohibitive. Then I had to buy from foreign countries. I bought from America and I found that it was much cheaper than getting the raw material here.

9785. *Q.* Will you please give a little more information on the point you have just made? What is the distance, if you bring your raw material from Baluchistan?

A. (Mr. Ghosh) About 1,700 miles. The fare to Calcutta is at least 4 times more.

9786. *Q.* One is railway transport and the other is sea transport. How much cheaper is it to import timber from Philadelphia to Calcutta than from Baluchistan?

A. (Mr. Ghosh) In Baluchistan only logs are sold, whereas in Philadelphia pencil slabs are sold. They make slabs 2¼ inches in breadth, 7 inches in length. The slabs are made out of special wood, arranged and packed in cases suitable for containing 100 gross of pencils. They cost about Rs. 100.

9787. *Q.* It means that you are getting your raw materials from America in a semi-finished condition?

A. (Mr. Ghosh) Yes.

9788. *Q.* That is why it is cheaper?

A. (Mr. Ghosh) Yes.

9789. *Q.* You have not told me anything about the difference in transport charges by rail and by sea.

A. The charges at present are about 60s. a ton (about Rs. 45). But if I send goods from Baluchistan to Calcutta, the cost is more than double. Besides there is another difficulty. The woods are not always straight and only a few can be packed in a wagon. You cannot pack more than 5 or 6 tons. That is another drawback.

9790. *Q.* What have you got to pay for a wagon?

A. (Mr. Ghosh) They charge me one-ninth pie per mile per maund.

9791. *Q.* What does it come to?

A. (Mr. Ghosh) It comes to about Rs. 300.

9792. *Q.* That is Rs. 50 per ton?

A. It comes to more than that. In making pencil slabs out of logs there is a loss of 80 per cent., unless you buy the raw materials in Baluchistan and make the required article.

9793. *Q.* Will you please refer to your Chamber's answer to Questions Nos. 11 and 12? As you know that the textile industry has already got a Protection of 7½ per cent., do you want further Protection?

A. (Mr. Mitra) Yes, that is the idea of the Committee.

9794. *Q.* On what grounds would they justify it? You know that if Protection is given and an import duty is levied a part or the whole of that duty is passed on to the consumer?

A. (Mr. Mitra) A part is passed on to the consumer.

9795. *Q.* Difference of opinion exists as regards the actual proportion that is passed on to the consumer. But there is a consensus of opinion regarding the fact that a part or the whole of it is transferred to the consumer. Do you think that it would be justifiable under present conditions to give a larger Protection to this industry and raise the price to the consumer?

A. (Mr. Mitra) So far as the low grade materials used by the poorest classes are concerned, the duty need not be raised. But in the case of the higher grade yarns and other things, the duty may be further raised.

9796. *Q.* On what grounds would your Chamber justify it?

A. (Mr. Mitra) Unless you do that we cannot protect our industries here. Our industry cannot thrive. That is our idea.

9797. *Q.* But it was reported to us by some witnesses that it is in a very thriving condition now?

A. (Mr. Mitra) Yes.

9798. *Q.* Is it your idea that there should be more Protection for the textile industry in order to supply all kinds in India by manufactures in India?

A. (Mr. Mitra) The time for it has not yet come. (Mr. Ghosh) The cotton grown here is inferior in quality.

9799. *Q.* You want to use the whole of the cotton imported into India to supply your own needs?

A. (Mr. Mitra) In the beginning that may not be possible.

9800. *Q.* That is why you propose further Protection to the textile industry?

A. (Mr. Mitra) Yes.

9801. *Q.* You say "provided the excise duty on salt is reduced or abolished". I should like you to develop that point a little. What Protection do you want for salt?

A. (Mr. Ghosh) I mean an experimental attempt to be made by Government, because they won't allow others to manufacture salt. In my younger days I have seen salt manufactured in Bengal, but the Salt Department was abolished. Salt is now coming from Liverpool and other countries. What it cost to manufacture at that time and what it costs now should be examined by Government.

9802. *Q.* You know that salt is manufactured in other parts of India on a very large scale?

A. Yes, in Madras.

9803. *Q.* It is manufactured in Bombay also.

A. But in Bengal it is not manufactured. But in my younger days I have seen salt manufactured.

9804. *Q.* I thought the question about salt was really the cost of transport. I thought that was the main obstacle in the way?

A. (Mr. Mitra) Yes. That is the case. (Mr. Ghosh) When local people make salt, there is no question of transport.

9805. *Q.* I am talking of India as a whole. I am not talking of Bengal.

A. (Mr. Ghosh) I do not know.

9806. *Q.* What form of Protection do you require. Please explain what you mean by saying "provided the excise duty on salt is reduced or abolished." You mean the excise duty that is now levied? If that is abolished what will happen?

A. (Mr. Ghosh) Then every man will manufacture his own salt.

9807. *Q.* That is your idea?

A. (Mr. Mitra) Yes, if we get Protection for salt.

9808. *Q.* What form of Protection do you want?

A. (Mr. Mitra) Suppose you impose an import duty on salt and take away the excise duty which we are levying on salt manufactured in India. In that case, salt can be manufactured in India almost at the same rate at which we just now buy it. That is our idea. We want to manufacture our own salt in India.

9809. *Q.* You think that you would be able to do so only if the excise duty now levied is given up and an import duty to the same extent is levied on foreign salt. That is to say, you want a double Protection?

A. (Mr. Mitra) Yes. Something like that.

9810. *Q.* Various parts of India manufacture salt successfully without any further Protection under present conditions. Would you even under these conditions, require the double Protection that you want?

A. (Mr. Mitra) It may not be necessary. It all depends on certain preliminary investigations. But some sort of Protection for salt will be necessary by which we can manufacture more salt than we do now.

9811. *Q.* You want to make India self-dependent in that respect?

A. Yes, but not at once.

9812. *Q.* But your goal is that?

A. Yes.

9813. *Q.* In answer to Question No. 18 your Chamber state that India already pays a heavy sum every year as interest on foreign investments and that an increase of this burden is hardly desirable. They then go on to say that it would therefore be useful to take measures to exercise some control over the influx of foreign capital. Do you think that the influx of foreign capital is detrimental to the interests of India?

A. (Mr. Mitra) No.

9814. *Q.* Then why do you want to control that influx?

A. (Mr. Mitra) Still, I think that there should be some check, and I think that it would be beneficial to India. But, of course we cannot prevent foreigners coming here and establishing themselves.

9815. *Q.* Is it to the advantage of India or to her disadvantage?

A. (Mr. Mitra) My present opinion is that it will be beneficial to India.

9816. *Q.* Then why do you want to impose conditions when you admit that it is to your benefit?

A. (Mr. Mitra) There are some points which I want to make clear. Under the present economic condition of the world I don't think that too much capital will come. However, supposing that capital comes from foreign counties to India. That cannot increase the national wealth. Instead, it will increase the foreign liabilities in the shape of dividends. Foreign concerns in such cases may be required to contribute towards the revenue for this privilege, because we will get some revenue.

9817. *Q.* That is to say, a special tax on industries established by foreign people with foreign capital?

A. Yes.

9818. *Q.* I want to get at what is in your mind. The result of your suggestion would be: there are two factories for the manufacture of the same article established practically in the same place, one owned by Indians and managed by Indians and the other established by foreign capital and

managed by foreign firms. In this case you would give the Indian factory Protection against the foreign factory in the same place by imposing a special tax. Is that what you advocate?

A. (Mr. Mitra) The position is this: Indians cannot compete with these foreign firms in the beginning. So in the beginning only, we advocate some sort of Protection.

9819 *Q.* Something like local Protection?

A. (Mr. Mitra) Yes.

9820. *Q.* And what would be the amount of such Protection?

A. (Mr. Mitra) That of course cannot be determined. That would require some preliminary examination of the conditions.

9821. *Q.* In answer to Question No. 33 your Chamber say "It may not be out of place to point out that the Railway policy requires radical change. Railways in other countries are constructed mainly with a view to the stimulation of internal trade and home production, whereas in this country, the policy is determined chiefly by a consideration of its foreign trade." Will you please explain what you mean by that?

A. (Mr. Mitra) The thing is this. Sometimes you find that food-grains can be sent from the Punjab at a lower cost to the ports than to Bengal.

9822. *Q.* How?

A. (Mr. Mitra) For instance, the expenses of sending rice from Allahabad to a port will be cheaper than sending rice from Allahabad to Patna.

9823. *Q.* So, you think that in the interests of India, the Railway policy should be radically changed?

A. (Mr. Mitra) Yes.

9824. *Q.* In answer to Question No. 35, you object to Imperial Preference, and you make certain statements which I think require further elucidation. You say at the end of your answer "In this connection it would not be out of place to point out the attitude of the local European jute mills which even when buying jute from Indians would not buy it through Indian brokers. Another injustice done to Indian enterprise is that the local mills do not accept shipment of jute to these mills by vessels of carrying companies owned and managed by Indians and the vessels are as well-built as those owned and managed by European companies and the rate of insurance is the same." This appears to be a curious thing. Will you please explain this?

A. (Mr. Mitra) Suppose we have got certain agencies in the moffusil and we want to send jute to Calcutta: we must ship the jute in vessels owned by European firms, as otherwise the insurance companies will not insure the jute.

9825. *Q.* This is a very important point which you are dealing with, and I should like to know something more about it. You say the insurance companies will not accept the risk if you ship jute by Indian-owned steamers. What ships do you refer to?

A. (Mr. Mitra) I am not speaking of sea-going steamers: I am speaking of river-going steamers. Suppose, for instance, there are certain steamers, some owned by Indians and some by Europeans, running between Calcutta and Dacca and we have an agency at Dacca for purchasing jute and we have certain contracts with jute mills in Calcutta. We have to send the jute through vessels owned by Europeans because otherwise the insurance companies will not accept the risk.

9826. *Q.* You say "the rate of insurance is the same."

A. (Mr. Ghosh) The European mill owners would not accept the bill of lading if we insure the jute in an Indian insurance company and the European insurance companies would not insure if we send the jute in Indian owned steamers.

9827. *Q.* Do they make a condition in the contract that jute should be brought into Calcutta through steamers owned and managed by European firms?

A. (Mr. Ghosh) Yes, but not in so many words.

9828. *Q.* Is that one of the conditions of the contract of purchase?

A. (Mr. Ghosh) That is the condition they put on the seller. They do not write this thing in the contract.

9829. *Q.* That is a verbal condition?

A. (Mr. Ghosh) Always they will raise some dispute or other—that it is all bad quality and not properly packed and all such things.

9830. *Q.* I should like to know something definite on this point. Generally European insurance companies will not accept risk for jute shipped in Indian-owned vessels. Why is it so?

A. (Mr. Mitra) Because the agents of the European insurance companies are Europeans.

9831. *Q.* Are there not Indian insurance companies?

A. (Mr. Mitra) Their policy will not be accepted by the buyers of jute.

9832. *Q.* If you send some jute from the moffusil, with the bill of lading you will have to send the insurance policy, and if you insure with Indian companies the buyers will not accept the bill of lading and will not pay the draft. Is that so?

A. (Mr. Mitra) Yes.

9833. *Q.* Then the draft is paid on the delivery of the shipping documents?

A. (Mr. Mitra) Yes.

9834. *Q.* And the documents consist of the bill of lading and the policy of the insurance company?

A. (Mr. Mitra) Yes.

9835. *Q.* And suppose you insure with a company like the Tatas' Insurance Company?

A. I do not think they will accept, because they have got their own insurance companies. There is a definite clause in the contract.

9836. *Q.* What is the clause?—that the insurance should be effected in such and such a company?

A. (Mr. Mitra) Generally there is such a contract, but sometimes it is open to the seller to effect it with any company.

9837. *Q.* And the names of these companies are those of European-managed companies?

A. (Mr. Mitra) Yes. There is difficulty in another way. We cannot send the goods in the ships owned by Indians, because in that case the insurance companies would not accept the risk.

9838. *Q.* I now see how you explain the system and how it works. But don't you think that instead of putting it on a racial ground, it may be that the steamer companies managed by Indians are not as sea-worthy under Lloyd's Register as the British-owned companies?

A. (Mr. Mitra) But we do not find any difference like that.

9839. *Q.* Under Lloyd's Register they occupy the same standard?

A. (Mr. Mitra) I am not positive about that, but that is what I think.

9840. *Q.* In spite of the steamers holding the same position under Lloyd's Register the insurance companies would not accept risk in those vessels?

A. (Mr. Mitra) Whether they occupy the same position in Lloyd's Register or not I am not in a position to say, but the steamers are of the same capacity and of the same condition: they are equally sea-worthy.

9841. *Q.* In the contract they are sold to arrive by steamer?

A. (Mr. Mitra) Yes, generally by steamer.

9842. *Q.* And in the contract the buyer has a clause that the things should be insured with such and such a company?

A. In 90 per cent. of the cases that condition is imposed.

9843. *Sir Maneckjee Dadabhoy*: Q. I suppose your Chamber speaks from a special knowledge of the province of Bengal only?

A. (Mr. Mitra) That is my idea.

9844. *Q.* And I understood you to say that the pressure on land in Bengal is enormous?

A. (Mr. Mitra) We do not say that it is enormous, but there are many lazy hands in Bengal in want of work.

9945. *Q.* Considering the population, the pressure is large?

A. (Mr. Mitra) Yes.

9846. *Q.* And there would be a safety valve if industries are started in Bengal to provide work for that population?

A. (Mr. Mitra) Yes.

9847. *Q.* You think that except Calcutta the whole province of Bengal is not industrially inclined?

A. (Mr. Mitra) Yes.

9848. *Q.* What would you attribute those habits to? Is it the national character or is it due to the permanent settlement?

A. (Mr. Mitra) There are various causes at work, for instance, there is not sufficient capital; there is not sufficient skilled workmen; there is not proper superintendence.

9849. *Q.* Then, there is no real scarcity of labour in Bengal as has been brought to our notice?

9850. *Q.* (Mr. Mitra) I do not think there is scarcity of labour, because many persons from up-country have settled in Bengal

A. And, in the opinion of your Chamber, the scarcity which has been complained of by the collieries is due to the special nature of the colliery work. Is it not?

A. Yes, to some extent.

9851. *Q.* People are not inclined to work underground ?

A. (Mr. Mitra) Colliery coolies will not be easily available.

9852. *Q.* If they have other industries, they will flock to work ?

A. (Mr. Mitra) In some of the industries there is no shortage of labour, *e. g.* the jute mills of Calcutta have got sufficient labour.

9853. *Q.* Other industrial concerns are getting sufficient labour ?

A. (Mr. Mitra) Yes. I am connected with an Engineering concern and there is no scarcity of labour in our case.

9854. *Q.* In answer to the President's question you said that your Chamber is in favour of putting a further duty on finer cloth ?

A. (Mr. Mitra) Yes.

9855. *Q.* Is India now in a position to produce finer cloth ?

A. Not just now. We were producing finer cloth and if a certain amount of Protection is given, we can produce more.

9856. *Q.* Does not your Association know that the climatic conditions in India as well as the want of skilled labour will make it impossible to produce finer cloth in India ? In the opinion of some we will never be able to produce finer cloth ?

A. (Mr. Mitra) We do not believe that we shall not be able to produce finer cloth. We used to produce finer cloth before.

9857. *Q.* But till such time as we are able to produce, the consumer of the finer cloth will have to pay a very high price ?

A. (Mr. Mitra) We have no objection to that.

9858. *Q.* You said something about the salt production in Bengal which was stopped. You have not given any reasons why it was stopped in Bengal ?

A. (Mr. Mitra) We do not know for what reasons.

9859. *Q.* Your Chamber has not made enquiries about that ?

A. (Mr. Mitra) No.

9860. *Q.* Is Bengal land suitable for salt production ?

A. (Mr. Mitra) I think so, because salt used to be produced in Bengal before.

9861. *Q.* I understood from your replies to the President that you ask for a sort of double duty in the matter of salt ?

A. (Mr. Mitra) We are not definite about it. Double duty may not be necessary, but some sort of Protection is necessary if we are to produce our own salt.

9862. *Q.* You recommend that the present duty of Re. 1-4-0 per maund should be abolished ?

A. (Mr. Mitra) We think it ought to be abolished.

9863. *Q.* Do you seriously contend that the present duty of Re. 1-4-0 a maund seriously affects the masses ?

A. (Mr. Mitra) It affects them, but not seriously.

9864. *Q.* It is only from the point of view of Protection to the salt industry that you recommend its abolition ?

A. (Mr. Mitra) Yes.

9865. *Q.* And not for any other reason ?

A. (Mr. Mitra) No.

9866. *Q.* As we are concerned with the tariff policy, how would you propose that Government should raise this large revenue which they would lose ?

A. (Mr. Mitra) That is another question. We have no suggestions to make, but I think revenue can be made from other sources.

9867. *Q.* From what sources ?

A. (Mr. Mitra) By placing duties on imports into India.

9868. *Q.* You also recommend in answer to Question No. 3, a sort of variable duty on semi-finished and finished articles ?

A. (Mr. Mitra) Yes.

9869. *Q.* Will that be workable ?

A. (Mr. Mitra) Yes.

9870. *Q.* You don't think there will be any difficulty ?

A. (Mr. Mitra) No, I do not.

9871. *Q.* What would you call semi-finished articles ?

A. (Mr. Mitra) Those that are utilised here for further manufacture. (Mr. Ghosh) In some cases they may be called semi-finished articles, and in some cases they would be finished articles. In England steel is a finished article, but it cannot be called a finished article in India because we use it as a raw material for tanks, etc.

9872. *Q.* And you want all machinery imported into this country free ?

A. (Mr. Ghosh) Yes. (Mr. Mitra) That is the idea of my Chamber. At present, while hand machinery pays duty at 11 per cent., power machinery pays less duty. Why should hand machinery be required to pay 11 per cent ?

9873. *Q.* At the same time you say that industries which are necessary for national safety should be protected. Which industries do you refer to ?

A. (Mr. Mitra) Of course the first thing for our safety is military requirements.

9874. *Q.* You mean the iron and steel industry ?

A. (Mr. Mitra) Yes.

9875. *Q.* Is there any other industry which you would say is required for national safety ?

A. (Mr. Mitra) Yes, such industries as are included in the Safeguarding of Industries Act.

9876. *Q.* Your Chamber has not thought over the matter ?

A. (Mr. Mitra) Our Chamber has not thought over it.

9877. *Q.* In answer to Question No. 18, you say that it would be useful to adopt measures to exercise some control over the influx of foreign capital. Don't you think that if foreign capital is brought to India, it would be for the good of India.

A. (Mr. Ghosh) In some cases, as we have no money. But we have to borrow in sterling. If it is a silver loan it would be more lucrative. These sterling liabilities are killing us now.

9878. *Q.* Am I to understand by sterling loans, money borrowed from England for productive works ?

A. (Mr. Ghosh) Productive or unproductive, when we borrow we borrow in sterling : we have to sell our silver and buy gold and repay it.

9879. *Q.* Then, are we in a position to raise all our loans in this country ?

A. (Mr. Ghosh) You are increasing your loans. Before this, we were borrowing 3 million : now you want 30 million and 50 million.

9880. *Q.* We want 30 million annually for the next five years for our railways exclusively. And we want it also for carrying on the administration : we have got big deficits. Can we raise all these from India ?

A. (Mr. Ghosh) Is it fair to raise loans from foreign countries for carrying on the administration ? You must make the administration cheaper.

9881. *Q.* But a certain amount of money would be required ?

A. (Mr. Ghosh) But the safety of the people must be cared for.

9882. *Q.* I do not exactly understand your answer to Question No. 25. You say Protection will decrease the imports and thereby maintain the balance of trade in India's favour. Will you kindly explain ?

A. (Mr. Mitra) Because that will increase the exports and decrease the imports.

9883. *Q.* But don't you think our industries will also find a home market here to a very large extent ?

A. (Mr. Mitra) If Protection is given, our raw materials will find a better market here. (Mr. Ghosh) For our industries, with a few exceptions the local market would be sufficient. In some cases only would they need outside markets.

9884. *Q.* As regards Railways you say " Railways in other countries are constructed mainly with a view to the stimulation of internal trade and home production, whereas in this country the policy is determined chiefly by a consideration of its foreign trade." What do you mean by " the policy is determined chiefly by a consideration of its foreign trade."?

A. (Mr. Mitra) They give better facilities for the transport of foreign merchandise.

9885. *Q.* The present policy is to give better facilities to encourage the transport of goods for foreign trade and not inter-provincial trade ?

A. (Mr. Mitra) Yes.

9886. *Q.* And you want that the Railways should be run for the benefit of inter-provincial trade ?

A. (Mr. Mitra) Yes.

9887. *Q.* There is one more question only, and that is about the insurance companies. I gathered from what you said to the President in answer to his questions that you believe that there is a racial combination among European merchants and an understanding not to aid Indian-owned ships and insurance companies. Is that so ?

A. (Mr. Mitra) I do not think there is any racial combination.

9888. *Q.* I want to know then, what the real cause is. There must be one of two things : either a racial combination to put down the Indian trade or it must be that your ships are not sea-worthy and the insurance companies therefore will not accept the risk on Indian-owned ships.

A. (Mr. Mitra) It may be that there are only a few Europeans here and they want to benefit each other.

9889. *Q.* That means, there may be a racial combination ?

A. (Mr. Mitra) Yes.

9890. *Mr. Mant*: *Q.* I would just like to clear up this question of the scarcity of labour. We were told the other day by a witness interested in a large number of industrial concerns that there is ample employment for any labour that is forthcoming, and that their chief difficulty was to get labour. You said just now that that has not been your experience. In what form of industry have you had experience ?

A. (Mr. Mitra) My personal experience, you mean ?

9891. *Q.* Yes.

A. (Mr. Mitra) My personal experience is only in the engineering concerns. We do not find any paucity of labour.

9892. *Q.* As far as your personal experience is concerned it is only in the engineering trade ?

A. Mr. Mitra) As well as in the tea garden.

9893. *Q.* There is no difficulty of obtaining labour in the tea gardens ?

A. (Mr. Mitra) We have not found any difficulty : we have lots of coolies, and more coolies are coming in.

9894. *Q.* There have been occasional troubles in obtaining labour for the tea gardens ?

(No answer.)

9895. *Q.* Am I to understand that the general theory of your Chamber as regards Protection is to obtain raw materials free, to impose moderate duties on imports of semi-finished products and high duties on finished products ?

A. (Mr. Mitra) Yes.

9896. *Q.* What do you mean by finished products ?

A. (Mr. Mitra) Manufactured articles which are used as they are.

9897. *Q.* But there are so many manufactured articles which are raw materials for other industries as well. Is steel a finished article ?

A. (Mr. Ghosh) Steel is a finished article, but steel sheets are not finished articles here, though they may be so in England. We do not use steel sheets as they are, but we turn them out into steel tanks, and we are making it up here into a finished product by means of skilled labour. So it is a raw material for us.

9898. *Q.* What I want to find out is what you call a finished article ?

A. (Mr. Ghosh) Imported goods such as dhoties and sarees. I do not say yarn is a finished article in that sense.

9899. *Q.* It is very difficult to make up a tariff on those lines, because there is great difficulty in each in deciding what is a finished article and what is not ?

A. (Mr. Ghosh) Our definition is that yarn should be treated as a raw material.

9900. *Q.* Can you give me a general definition as to what is a finished article and what is not ?

A. (Mr. Ghosh) When an imported article is ready for human use as imported, then it is a finished article, and when skilled labour has to be employed to give it a finish, then it is a semi-finished article.

9901. *Q.* You call machinery a finished article ?

A. Yes.

9902. *Q.* You want to impose a duty on it ?

A. No. From our point of view, machinery will bring profit to us. It is a source by which we can make money.

9903. *Q.* Don't you want to encourage the manufacture of machinery in this country ?

A. (Mr. Ghosh) Yes. We make some machinery here. We are not up to the mark. We can, however, copy some of the machines.

9904. *Q.* I understand you advocate a duty on steel ?

A. Steel building materials are finished articles.

9905. *Q.* But you would not impose a duty on steel in any form in which it can be used for the manufacture of machinery ? You say it is a raw material for machinery and you want to encourage the manufacture of machinery. I want to know whether you would treat steel as a raw material because it is used for the manufacture of machinery and let it in free or whether you would treat it as a finished or a semi-finished article and impose a duty on it ?

A. (Mr. Ghosh) It is a semi-finished article.

9906. *Q.* And you will impose a duty ?

A. (Mr. Ghosh) A small duty.

9907. *Q.* If you are going to admit foreign machinery free and impose a duty on steel, out of which machinery will be made in this country, wouldn't you put the Indian manufacturer of machinery at a disadvantage ?

A. (Mr. Ghosh) At present we will not be able to manufacture high class machinery. We will be obliged to import it. Some class we are making now.

9908. *Q.* Would not your policy handicap the local manufacturer of machinery ?

A. No.

9909. *Q.* Why not ?

A. These are not going to sell in the present market. They make for their own use now. (Mr. Mitra) The idea is that it is practically capital and we would not be able to manufacture high class machinery in the distant future. So we want machinery free of duty.

9910. *Q.* You are not trying to encourage the manufacture of machinery in this country ?

A. (Mr. Mitra) Even if we try, we do not expect to be successful in the manufacture of machinery. So we want machinery free of duty. We treat machinery as capital.

9911. *Q.* I take it that for the same reason you recommend a protective duty on bolts and nuts ?

A. Bolts and nuts are manufactured articles. (Mr. Mitra) We are manufacturing these things.

9912. *Q.* Are not bolts and nuts parts of machinery ?

A. (Mr. Ghosh) Yes. Some bolts and nuts are required to join the parts of machinery, but it is a separate industry altogether.

9913. *Q.* If machinery is imported free, you advocate that the bolts and nuts that are used in making machines and which are put in the machines in England should be imported free, but if they are imported separately to be used in this country, you would put on a duty. Wouldn't you handicap the local manufactures of machines ?

A. (Mr. Ghosh) No.

9914. *Q.* In reply to Question No. 16, you say "Hand industries should be encouraged." Do you mean Protection by encouragement ?

A. (Mr. Ghosh) Hand industries should be protected in order to make yarn cheaper. That is the whole idea, because people engaged in weaving industry are a lot of idle people.

9915. *Q.* At present the cotton hand industries are protected, because you have got a protective duty on cotton, and you have got an excise duty on the cotton produced in the mills. You recommend the abolition of that excise duty. So you are really recommending the removal of a certain measure of Protection from the hand-loom industry. In what way do you want hand industries encouraged ?

A. (Mr. Ghosh) It is already encouraged by the local people. People prefer hand loom cloths. The better class people want machine-made cloth.

9916. *Q.* I don't understand what you mean by "encouraged." Do you mean they should be encouraged by Government ?

A. (Mr. Ghosh) Encouragement by extensive exhibitions and distribution of money prizes to some of the weavers.

9917. *Q.* That is the only measure of assistance you would give them ?

A. (Mr. Ghosh) Yes. The popular faith in the hand industry has decreased, because respectable people would not wear hand-made cloth. (Mr. Mitra) They can be encouraged in other ways by making yarn cheap. The difficulty is that there are many lazy hands in the country, especially amongst our women folk and these hands can be employed in hand industries. That is the main idea. I do not think the hand industry will compete with mills.

9918. *Q.* Your proposals advocate the removal of the measure of Protection which they at present enjoy. That is why I wanted to ask you in what way you propose to encourage them.

A. (Mr. Mitra) We cannot think of any other way of encouraging them.

9919. *Q.* With regard to the question of foreign loan raised in connection with Question No. 18 in reply to Sir Maneckjee Dadabhoy, I understood you to say that these foreign loans constitute a great burden. I suppose your Association is aware that practically the whole of these loans have been invested in Railways in this country ?

A. (Mr. Mitra) Yes.

9920. *Q.* And taken all round these Railways are bringing in a far larger return in the way of interest than the interest charged on money borrowed ?

A. (Mr. Mitra) Yes.

9921. *Q.* And that they are adding to the wealth of the country enormously ?

A. (Mr. Mitra) Yes.

9922. *Q.* Surely, that more than compensates the burden of interest charged on the loan ?

A. (Mr. Mitra) That is why we have supported the influx of foreign capital in this country. We are not

opposed to that. When we have Protection, it is only natural that some of the foreign firms will come and establish themselves here.

9923. *Q.* But in reply to Sir Maneckjee Dadabhoy you opposed and criticised these foreign loans?

A. Yes.

9924. *Q.* But does not the result that I have just referred to, Railway enterprise, far more than compensate the burden which the foreign loans have laid on the country?

A. (Mr. Mitra.) Yes.

9925. *Q.* In regard to the pencil factory, I did not know that this was coming up this morning and so I have not been able to study the question carefully as I should have done. I would like you to explain a little more clearly as to what happened in the case of the pencil factory. I understand from one of your answers that you started the factory in Calcutta, that you thought there was enough wood and graphite in India, but subsequently found to your cost that nothing could be had?

A. (Mr. Ghosh) They thought, before I was invited, that this wood and graphite could be found enough in India, and I joined them. I began to analyse these things and see for myself what wood would be suitable. I at least experimented on 200 kinds of woods and I did not find one single wood suitable for pencil making, except *Thorulasha*, a Punjab tree. That wood was suitable, I made enquiries and the price they wanted was Rs. 75 a ton. Then I wrote to them to send a few tons, a wagon load. Then they said that the price had risen to Rs. 260, as they were not making sleepers for some foreign Railway companies, Basra or Bagdad. So I gave up the idea. I spent over Rs. 1,200 and sent a man to enquire in Quetta. I found there were very big juniper jungles. I then asked Government to give me 40 or 50 trees each year. They said that if they allowed us to cut these juniper trees, the rainfall would be short in Baluchistan. Of course there are only 4 or 5 inches of rain in Baluchistan. Then I pointed out to the Government that every year about 100 trees die and so they could not complain of my cutting 40 or 50 trees a year. They refused to permit me to cut the trees. Again I represented the matter to them and they said they required it for mobilisation purposes.

9926. *Q.* I think you have explained a good deal in answer to the President and I do not want to take you over the same ground. What I do want to clear up is why you started a factory in Calcutta to deal with woods available in Baluchistan. It does not seem to be a very sound business proposition. It would surely be better to put up a factory somewhat nearer to Baluchistan?

A. (Mr. Ghosh) There is not a single juniper tree in the whole of Europe, and yet the pencil industry flourishes in Nurenburg. How did it flourish?

9927. *Q.* What I want you to explain is why you do not put up a factory nearer the source of supply?

A. (Mr. Ghosh) Calcutta is the best place for it, because people come here to buy things. If I have a match factory in Darjeeling, because there is wood available there, nobody would buy there. I will have to make matches there and send them along to Calcutta for selling the goods. Calcutta, Bombay, Madras, and all these ports are the proper places to start the industry.

9928. *Q.* Can't you have a selling agency in Calcutta? Can't you send your produce here?

A. (Mr. Ghosh) In Baluchistan we cannot get the people to work in the factory. They are a class of people who cannot be relied upon. As soon as they make the finished article, the Railway rate will not be the same as for the raw material.

9929. *Q.* The Railway rate will be smaller on the finished article than on logs of wood?

A. All these things cannot be done in Baluchistan. In Calcutta they can be done. We have brains here, labour and everything is easily available in Calcutta. Calcutta and the surrounding places are the proper places for industry, as also Bombay.

9930. *President. Q.* Mr. Mant's point is this. Why can't you have a sawing factory to produce slabs in that condition in which you import them from Philadelphia, and import the slabs to Calcutta?

A. (Mr. Ghosh) To start this industry in Baluchistan it will require more than half a lakh of rupees' capital. To take working men from other places to Baluchistan will be very expensive and for a single pencil factory you do not require a big sawing factory.

9931. *Mr. Rhodes. Q.* We are examining to-day three very important Associations in Calcutta, of which yours is the first. I notice that their replies are very identical. Is it a question of great minds thinking alike, or one great mind thinking along a lonely furrow?

A. (Mr. Ghosh) All these people have the idea of Protection and to increase the industries. It is the general idea of the people, not of one man.

9932. *Q.* I want a little information about the jute mills. Is it a fact that these large jute mills have contracts with large British inland steamer companies to bring in jute from up-country?

A. (Mr. Mitra) I do not know. I do not think they have any contract. It is the business of the seller to ship jute to Calcutta to the mills from up-country. They have got no contract as far as I know.

9933. *Q.* If jute was shipped through one of the Indian steamer lines and insured by an Indian company and delivered to the jute mill, I presume if the jute is in a good condition, the jute mill would pay for it?

A. (Mr. Mitra) They may accept it. How can we send it, because you cannot insure the jute. If you ship the jute in an Indian company's vessel, you cannot insure the jute.

9934. *Q.* That is a problem which we must leave to the Indian steamer companies to take up. I do not quite see how we can help them in that point. In answer to one of the questions you have stated that there are no Bengalee or Indian jute brokers in Calcutta?

A. (Mr. Mitra) There are some jute brokers, but they are under-brokers, because no European house, (the Managing Agents) will buy directly through them.

9935. *Q.* Is there no Bengalee jute broker at all who sells direct to a mill?

A. (Mr. Mitra) At present there may be one but his business is limited only to a few houses. I am not positive on that point.

9936. *Q.* It is not a racial question?

A. May or may not be. There was one man, but he died.

9937. *Q.* It is not a question of racial prejudice?

A. I do not like to use that language. There is no racial prejudice. But what the cause is I do not know.

9938. *Q.* You know the jute industry is largely or entirely run by Scotchmen?

A. The fact is that they do not purchase from Indians.

9939. *Q.* You know that in Calcutta the jute industry is largely in the hands of Scotchmen and you also know that Scotchmen never pay 8 annas when they can get the thing for 6 annas?

A. (Mr. Mitra) That we do not know. How am I to know what Scotchmen are accustomed to do in that respect?

9940. *Q.* Have the members of your Association any jute or cotton mills of any kind in Calcutta?

A. (Mr. Mitra.) I cannot tell you. I think Messrs. Birla Brothers have got a mill.

9941. *Q.* There are cotton mills run by Bengalees?

A. I do not know, but I think there is one, the Bengal Luxmi mills.

9942. *Q.* Has the Luxmi mills a European manager or a Bengalee manager?

A. (Mr. Mitra) At present there is a European manager, but the secretary is a Bengalee. The Mill manager is European.

9943. *Q.* Why is he employed?

A. (Mr. Mitra.) I do not know.

9944. *Q.* Is it on economic grounds?

A. We are not concerned with the Bengal Luxmi cotton mills.

9945. *Q.* I presume it is on economic and not on racial grounds that he is appointed?

A. I cannot exactly follow your question. What is the point?

9946. *Q.* This European manager has been appointed in a purely Bengalee mill for economic grounds and not for racial grounds, I presume?

A. (Mr. Mitra) I do not know why they have appointed a European manager.

9947. *Q.* The reason why I am asking this question is this. If an Indian cotton or jute mill run by Europeans employs a European, you regard it as racial, but if a Bengalee firm employs a European, is that on economic grounds?

A. (Mr. Mitra) If a European, far more than a Bengalee, employs a European, I do not say it is on racial grounds. It has got nothing to do with any racial question. That is only an economic question. What we did say was in regard to purchase and sale and nothing else, not about employment of Europeans or anybody else. Probably we shall have to bring Europeans for some time to come.

9948. *Q.* You have mentioned that the mills employ very largely European brokers?

A. (Mr. Mitra) The managing agents generally purchase through European brokers.

9949. *Q.* In reply to Sir Maneckjee Dadabhoy, you suggested that it was a racial question ?

A. (Mr. Mitra.) Our idea is that they want to benefit each other.

9950. *Q.* And if a Bengalee mill employs a European manager, you do not regard it as due to racial consideration ?

A. (Mr. Mitra.) No. It is on economic grounds, because for some time, we shall have to employ Europeans. We do not want to use that word.

9951. *Q.* Now, on this question of Railways, you make a statement here that "Railways in other countries are constructed mainly with a view to the stimulation of internal trade and home production " Are you quite sure of this ? Can you name any country except Switzerland which has not built its Railways primarily with the intention of feeding its ports ?

A. (Mr. Mitra) I have no personal experience in the matter.

9952. *Q.* Let us take for instance England. Is not the Railway system in England entirely concentrated on its ports ?

A. (Mr. Mitra.) That is an exporting country. We have also an exporting country. I do not know on what policy Railways in different countries are run.

9953. *Q.* Are you aware that some years ago England spent 40 crores of rupees in order to build a canal 35 miles long to benefit its export trade ?

A. (Mr. Mitra) We do not deny that export is also necessary and Railway policy should also be based on that line, but at the same time internal trade has to be stimulated.

9954. *Q.* I quite sympathise with you. But you cannot tell me of any country which has not found to its own benefit to build its railway system ?

A. I do not know.

9955. *Q.* Only one other question in regard to a very minor point. You say in answer to Question No. 24 "But the middle classes will only be able partially to cover the increase in the cost of living by an increase in income. That is, you think Protection would raise prices generally. Are you prepared to sacrifice the middle classes in this matter ?

A. (Mr. Mitra) The middle classes will suffer, but that would be a temporary suffering. That is my idea. In the near future or even in a few years, things will adjust themselves.

9956. *Q.* You seem to suggest here that they will suffer permanently ?

A. No. It will only be temporary.

9957. *Mr. Coyajee.*—*Q.* Mr. Mitra, you have stated that there is no paucity of labour and much labour is idle in agricultural districts ?

A. Some labour is idle, not much.

9958. *Q.* Why does Bengal draw labour for its jute mills and tea gardens from other provinces ?

A. We have got an influx of up-country people here. We have got lots of other people coming and staying here in Bengal.

9959. *Q.* They include imported labour also ?

A. Yes. They are now settled in Bengal.

9960. *Q.* Are they from Bihar ?

A. From Bihar, the United Provinces and the Central Provinces.

9961. *Q.* Therefore you say there is no paucity of labour ?

A. Yes. These people are settled in Bengal and Assam.

9962. *Q.* You argue that the highest rates of duty should be provided for finished articles, while no duty should be imposed on machinery and other factory requisites and raw materials. Does it follow that you are against the Protection of steel sheets ?

A. Steel sheets are not raw material.

9963. *Q.* Take raw steel.

A. We want a certain Protection for iron and steel.

9964. *Q.* But you have said that the highest rates of duty should be provided for finished articles ?

A. Yes.

9965. *Q.* It has been argued before this Commission by steel experts that before starting industries in India, you should first give Protection to the basic industries like iron and steel and also for machinery and then give Protection to finished products, because the more natural course is to have the raw material and machinery ready, then the industry will come of its own accord. It is directly contradictory to your ideas. Might I have your criticism on this ?

A. My idea is that the highest duty should be levied on such finished products as have a future in India and for the manufacture of which there are special facilities.

9966. *Q.* What about the basic industries ?

A. They also require Protection.

Q. 9967. You say that no duty should be imposed on machinery and factory requisites. Therefore you are minimising the Protection to basic industries and accumulating Protection for the finished articles. That is your position ?

A. Yes. It is so.

9968. *Q.* So your statement is bound to have that fundamental objection ?

A. Yes. It is so.

9969. *Sir Montagu Webb.*—*Q.* Would you tell me how many members there are in your Chamber ?

A. I think about 200.

9970. *Q.* In what are they engaged mostly ?

A. They are engaged in various ways. (Mr. Ghosh) In import trade and local trade.

9971. *Q.* What are they chiefly ? Importers, exporters, local traders or industrialists ?

A. (Mr. Ghosh) They are mostly local traders. They are also importers.

9972. *Q.* Do they control any industries ?

A. (Mr. Ghosh) Some members control industries.

9973. *Q.* The industries which they represent ?

A. (Mr. Ghosh) Mr. Jadunath Roy controls ship-building. (Mr. Mitra) They represent various industries. It is not possible just now to give a list of the industries which they are controlling.

9974. *Q.* Why I ask is because the only industry you have mentioned is the case of a pencil factory which is 1,700 miles away from its raw material. Have you got other industries ?

A. (Mr. Ghosh) Yes. Cutlery, ship-building.

9975. *Q.* Any other ?

A. (Mr. Ghosh) Fruit preserving. (Mr. Mitra) Engineering concerns, tea gardens, chemicals, oil mills, tanneries, jute, coal and so on.

9976. *Q.* Referring to the alleged discrimination of the Railways in regard to rates, you said that it would be cheaper to send goods from Calcutta to Allahabad than from Patna to Allahabad. Could you give us some more examples of this discrimination in order that we may investigate them ?

A. (Mr. Mitra) For instance, it is cheaper to bring paper pulp from Northern Europe to India than from Kashmir to Calcutta.

9977. *Q.* You cannot expect Railway transport to be as cheap as sea transport. I mean discrimination in regard to Railway rates. You have mentioned one example, that it is cheaper to send rice from Calcutta to Allahabad than from Patna to Allahabad. The matter is a serious one and I should like to know something more about it.

A. (Mr. Mitra) It is a general case that when you send an article, it is cheaper to send to ports than to intermediate stations.

9978. *Q.* Will you send us in a few more examples to substantiate it ? You can send at any time.

A. Yes. I will send a list.

9979. *Mr. Narottam Morarji.*—*Q.* When did you start the pencil factory ?

A. (Mr. Ghosh) In 1907.

9980. *Q.* How many pencil factories are there in Bengal ?

A. (Mr. Ghosh) One more.

9981. *Q.* Where do you get your raw materials from ?

A. (Mr. Ghosh) From India.

9982. *Q.* Is there not a pencil factory in Madras ?

A. Yes, but they get their goods from foreign countries.

9983. *Q.* Not from India ?

A. No.

9984. *Q.* How many men do you employ ?

A. About 40.

9985. *Q.* Are you able to sell your pencils cheaper than foreign ones ?

A. Do you mean the Japanese ones ?

9986. *Q.* Japanese or Austrian ?

A. As regards Austrian pencils, I can. But with regard to Japanese pencils, I cannot.

9987. *Q.* As for cutlery, where do you get your materials from ?

A. We buy many things in Calcutta, but some things we have to import from Europe.

9988. *Sir Edgar Holberton.*—*Q.* Do you want Protection for your pencil factory ?

A. The raw materials that I import for the factory should be assessed at a lower rate of duty than now.

9989. *Q.* What advantage would that be to India ?

A. Pencil consumption is growing. Formerly less than 5 per cent. used these goods. But now each man requires about 2 pencils a month. So you can calculate how many pencils will be required for the country.

9990. *Q.* Will you get them cheaper by means of Protection?

A. Not cheaper. I don't want that inferior articles should come in and spoil the market.

9991. *Q.* How is it going to benefit the people? Will you sell them cheaper?

A. We sell cheaper. The retail sale is 1 pice per pencil. You cannot expect it to be cheaper than this. You cannot give for nothing.

9992. *Q.* But how is it going to benefit the people? How much do they pay for Hardtmuth pencils? Are you going to benefit them?

A. I will be in the same position as Hardtmuth. They pay no duty for their raw materials. So I ask that I should pay less duty for my raw materials.

9993. *Q.* I am not asking how you are going to be benefited. How are the people going to be benefited?

A. If I am benefited they are benefited. I am one of them.

9994. *Q.* You want to do away with excise duties. Is it not?

A. If you abolish them, people will make their own salt.

9995. *Q.* You want to abolish it at once?

A. Yes.

9996. *Q.* That will not have the effect of encouraging salt production in the country?

A. People, the villagers, will make their own salt.

9997. *Q.* The salt revenue is over 7 crores. You are against direct taxation. You want to raise your taxation by means of a customs tariff. Where are you going to get 7 crores from?

A. By raising the duty on imported goods. After the armistice I find English goods are charged 4 or 5 times their pre-war price. We can also afford to pay a higher price. 10 or 20 per cent, is nothing.

9998. *Q.* Will it stop your imports?

A. Import is at a dead-lock in Calcutta now. There is world-wide poverty now.

Witness No. 67.

The Motor Trades Association (Eastern India Section), 6, Mangoe Lane, Calcutta.

Written Statement, dated the 9th January 1922.

9999. *Q.* 20. Yes, the whole, but the increased duty restricts sales and consequent loss to the Government in import duty.

10000. *Q.* 21. Yes, certainly, it must be permanent, all other factors being equal.

10001. *Q.* 70. Motor cars and commercial vehicles as complete or chassis, trailers without engines, component parts, motor cycles, motor accessories, solid and pneumatic tyres, tractors and agricultural machinery, electric lorries, steam lorries, electric trolleys, stationary engines, electric light plant, pedal cycles and their accessories and parts and marine engines.

Countries from which imported.—Great Britain, France, Belgium, Italy, America, Canada, Holland, Sweden.

10002. *Q.* 71. As there was an embargo on the importation of cars in 1916, 1917, 1918, no reply can be given regarding this period.

Regarding post-war conditions, the position in our view has been as follows:—

> Owing to the shortage of cars in this country, due to the embargo, the high rate of exchange and the increased war wealth of the purchasing public, an abnormal demand led to excessive imports for 1919 and 1920. This demand was short lived and as a consequence importers were left with large surplus stocks owing to their having made forward contracts, basing their cost on a duty of 7½ per cent. A large number of these cars, against such forward orders, arrived in India after the heavy and unexpected increase in duty, and consequently raised prices and seriously aggravated the trade depression which had already set in; and we are of opinion that had the duty remained at 7½ per cent. the depression in the motor trade would not have been so acute or of such long duration.

10003. *Q.* 72. Most decidedly. Motor vehicles, component parts, tyres and accessories. (See our reply to Question No. 71.)

10004. *Q.* 73. (*a*) The effect would be an increase of British goods, depending on the amount of reduction in duty, but the total imports would not be materially affected.

(*b*) Any increase in duty over the present figure would be further detrimental to imports with consequent loss of revenue to Government and would seriously jeopardise the motor industry in India.

(*c*) Without even approximate figures as to what the rise may be in the case of foreign goods and the fall in the case of British goods, it is not possible to answer the question. Should the respective increase and decrease be within reason this question is more or less answered by the reply in A.

10005. *Q.* 78. Yes, we approve of *ad valorem* duty but are of opinion that duty should be leviable on the factory cost of the article and not on the gross invoice cost. For example, a packing case which costs £30 in England, mostly labour charges, the duty of 20 per cent. on this amounts to approximately ₹100 and the case realises on sale an average of ₹10 to ₹15.

We agree to *ad valorem* duty on motor tyres with the proviso that duty should be charged on factory prices and not, as is done at present, upon the Indian trade prices.

We consider that the development of the country, particularly the indigenous industries, is retarded by the want of economical and efficient transport. Great assistance might be given by the Government of India viewing motor lorries, trailers and omnibuses in the light of essential commercial vehicles, subject to preferential treatment with regard to import duty.

In the present tariff schedule the term "Commercial Vehicle" is entirely omitted. We suggest that it should be added and placed in the same category as agricultural tractors for purposes of import duty.

Suggested source of revenue.

This Association fully appreciates the present financial position of the Government and therefore begs to suggest the following as a source of revenue in the event of a reduction in the import duty on cars from 20 per cent. to 10 per cent. or less, *viz.*, that an additional surtax of 1 anna per gallon be added to petrol, with the one vital exception that the present surtax of 3 annas per gallon be reduced to 2 annas per gallon for *bonâ fide* transport lorries. It will be found on referring to the figures appertaining to the duty realised on the import of cars by a reduction of duty to 10 per cent. that the sum thus lost to the Government will be more than recovered by the suggested additional surtax. Further, with the reduced tariff, we believe that imports would increase, yielding further revenue and the petrol consumption would automatically be larger again yielding further revenue. By this means this Association feels that the Government will derive additional revenue while relieving the motor industry from a crushing taxation which seriously jeopardises its position.

The Committee of this Association responsible for this draft are as follows:—

1. Mr. H. J. McGee, Chairman, Motor Trade Association.
2. Major Walsh, O.B.E., The Russa Engineering Works, Ltd.
3. Mr. E. R. Horlock, G. McKenzie & Co. (1919), Ltd.,
4. Mr. J. Tchefaijian, The French Motor Car Co., Ltd.
5. Mr. A. Westland Gordon, The Dunlop Rubber Co., Ltd.
6. Capt. Walford, The Walford Transport Co., Ltd.
7. Mr. R. E. Joseph, R. E. Joseph & Co., Ltd.

Numbers 1, 2, 3 and 4 represent the motor industry, No. 5 represents the motor tyre industry No. 6 represents transport and No. 7 represents accessories

Mr. McGee, Chairman, Motor Trade Association, Cacutta, the 12th January 1921.

ORAL EVIDENCE.

10006. *President*—*Q.* You represent the Motor Trades' Association?

A. Yes.

10007. *Q.* The list attached to your statement gives the names of the Committee of your Association?

A. Yes.

10008. *Q.* In your answer to Question No. 20 you say that you transfer the whole of the import duty on to the consumer?

A. Yes.

10009. *Q.* Therefore the increased duty does not affect you individually?

A. No, not individually.

10010. *Q.* The consumer pays the whole of it?

A. Yes.

10011. *Q.* I take it that what you complain of is that in consequence of the rise in price by the transfer of the whole of the duty, the demand for cars is slack. Is that so?

A. Yes.

10012. *Q.* Could you give us any statistical data showing what effect has been actually produced on your trade directly attributable to the increased duty?

A. The figures of imports have dropped away in 1921 as compared to 1920. But then there has been a slump in trade on account of adverse trade conditions. So this may not be due necessarily to the high import duties. For instance, in November and December 1920 the total imports of motors were 82 lakhs and 60 lakhs respectively. In 1921, taking month by month, the imports were (in lakhs) $55\frac{1}{2}$, 47, 23, $9\frac{1}{2}$, $5\frac{1}{2}$, $5\frac{3}{4}$, $9\frac{3}{4}$, 10, $4\frac{3}{4}$, 4, $6\frac{3}{4}$, and $10\frac{1}{4}$ respectively. We have compiled figures for previous years and we find that they have dropped away. There has been a rise in November and December this year. Most of the motor trades bought new models for shows. That is how imports jumped in November and December this year.

10013. *Q.* You do not think that the whole of this diminution in trade is due to the increased duty?

A. No.

10014. *Q.* This is due to the general slump throughout the world. You know that practically all imports have decreased during 1921?

A. Yes.

10015. *Q.* Can you tell us what has been the drop in the price of motors during 1921 as compared with 1920?

A. It is difficult to say. Speaking from the manufacturers' side, I should say it is approximately 25 per cent. In some cases it may be even more.

10016. *Q.* The difference in price to the purchaser is $12\frac{1}{2}$ per cent. over the 1920 prices?

A. That is set off by the drop in the exchange value of the rupee. The purchase value of the rupee was not so good in 1921 as in 1920.

10017. *Q.* What is the difference in exchange between the two periods? Can you give us any idea? I want to know what the net result in price has been to the consumer and whether the rupee price in 1921 is appreciably higher or lower than it was in 1920. Take duty, exchange, and other things into consideration?

A. It must be higher.

10018. *Q.* Can you give us any definite information?

A. I will look up my papers and send you the information.*

10019. *Q.* It is necessary to judge whether the duty has had any real effect on the diminution of imports. How do you justify the statement that you make at the end of your answer to Question No. 71? You say "A large number of these cars, against such forward orders, arrived in India after the heavy and unexpected increase in duty and consequently raised prices and seriously aggravated the trade depression which had already set in; and we are of opinion that had the duty remained at $7\frac{1}{2}$ per cent., the depression in the motor trade would not have been so acute or of such long duration." The difference is $12\frac{1}{2}$ per cent., but as you say prices have fluctuated by 25 per cent.

A. 25 per cent. on the manufacturers' side, manufacturers in England and America.

10020. *Q.* That is 25 per cent. here. Is it not?

A. Yes. Then, again, if exchange goes up rupee prices have to go up.

10021. *Q.* Therefore, the effect of the duty accentuating the depression will have to be substantiated by statistics.

A. This is the general opinion of our Association, that the depression in our trade would not have been of such long duration if we had not to pay 20 per cent. on imports.

10022. *Q.* In answer to Question No. 73 you say that the effect would be an increase of British goods, depending on the amount of reduction in duty, but that the total import would not be materially affected. Then in your answer 73(*b*) you say that any increase in the duty over the present figure would be further detrimental to imports with consequent loss of revenue to Government and would seriously jeopardise the motor industry. Does not the motor trade, as a general rule, consist of special makes which people buy on the name of the manufacturer?

A. You mean complete motor cars are not manufactured here.

10023. *Q.* No. You say that preferential treatment would increase British goods. I am not talking of commercial makes. I am talking of ordinary motor cars. The purchaser buys such a car in consideration of two factors, the price and the maker. Good makers carry such a high reputation that people willingly pay substantially increased prices to get their cars?

A. British cars at the present time work out very much higher than American cars.

10024. *Q.* Knowing that, they pay willingly higher prices because they are superior in durability and in finish?

A. No. I can show statistics from 1914 to 1921 showing the percentage of American cars as compared with English cars.

10025. *Q.* These American cars are cheap. Is it not?

A. Yes.

10026. *Q.* But the percentage of British, French and Italian cars that are imported are sold on the ground that, though expensive, they are a better article. Is it not?

A. Yes.

10027. *Q.* People in making their purchases realise the difference in quality and finish and pay prices accordingly?

A. I wish it were so. I am afraid, however, that we will have to consider our pockets nowadays.

10028. *Q.* A preference would enable the British cars to compete with American cars. Is it not?

A. It will have to come in duty free. Even then I doubt if it will be cheaper, because in America there is mass production and lower values on that account.

10029. *Q.* Therefore the preference must be either 20 per cent. or higher?

A. To be on an equal footing with America, I should say we should abolish the duty on British imports and raise the duty on foreign makes.

10030. *Q.* How much?

A. About $33\frac{1}{3}$ per cent. But my Association do not suggest anything of that kind.

10031. *Q.* At the end of your answer to Question No. 78 you say "In the present tariff schedule the term 'Commercial Vehicle' is entirely omitted. We suggest that it should be added and placed in the same category as agricultural tractors for purposes of import duty". What is the present tariff for agricultural tractors?

A. $2\frac{1}{2}$ per cent.

10032. *Q.* That is to say, you would recommend the reduction of the import duty on commercial vehicles from 20 to $2\frac{1}{2}$ per cent.?

A. Commercial vehicles pay only 11 per cent.

10033. *Q.* You think that commercial vehicles are of equal importance to the country as agricultural tractors?

A. Yes.

10034. *Q.* How do you justify it?

A. For the development of the country, for linking up the trade lines and getting into touch with far off districts.

* During 1920 Exchange hovered between 2*s.* 6*d.* and 2*s.* per rupee. During this period the import duty was $7\frac{1}{2}$ per cent. Manufacturing charges which incidentally do not affect the point at issue were low. These three factors tended to give low selling prices in this country.

American Exchange during that period was also very favourable. Towards the end of 1920, Exchange began to move adversely and manufacturing prices were simultaneously enhanced.

In March 1921 the new import duty of 20 per cent. was announced. This was the last straw. As an example, cars which we were able to land in this country from England at Rs. 4,500 in June 1920 cost us to import in June 1921 Rs. 13,500.

American prices, the rise in the manufacturing cost of which was not so pronounced as in England, took the same adverse step with the result that cars which were imported in 1920 for Rs. 3,000 or Rs. 4,000 cost Rs. 6,000 or Rs. 8,000 in 1921 after the import duty was raised to 20 per cent.

The nett result to the consumer was that for English cars the price was increased by about 200 per cent, and for American cars by about 100 per cent.

good roads, Railways, and commercial vehicles are an absolute necessity. Commercial vehicles are an economical means of transport. We have not got to go the expense of laying down Railway lines.

10035. *Q.* If you justify the reduction of the duty on that ground, how would you justify any increase in the cost of petrol by adding a further surcharge, because if these are so essential for transport purposes, they would consume a very large quantity of petrol, and therefore raise the cost of transport ?

A. We suggest a lower rate of tax on petrol used for commercial purposes.

10036. *Q.* Do you think that the Administration could work out in detail the differentiation between commercial lorries and cars for private use ?

A. There is not much difficulty in working it out.

10037. *Q. Sir Edgar Holberton.*—What is the present schedule for motor cars ? 20 per cent.—is it not ?

A. Yes, 20 per cent. *ad valorem.*

10038. *Q.* Is there any differentiation for commercial vehicles ?

A. Yes, the general 11 per cent.

10039. *Q.* You say "In the present tariff schedule the term 'Commercial Vehicle' is entirely omitted." What do they call them in the tariff ?

A. Lorries. (Secretary.) It comes under the head "Carriages and Carts" under 86.

10040. *Q.* One of your plans is to assist industry and trade by reducing the tax on commercial vehicles ?

A. Yes.

10041. *Q.* What would you call it ?

A. Call it lorry.

10042. *Q.* Passenger vehicles would not be commercial vehicles ?

A. Yes, a vehicle intended for carrying passengers would be a commercial vehicle.

10043. *Q.* I would not call a taxi-cab commercial vehicle. A car for distributing goods from a ship would be a commercial vehicle ?

A. Yes.

10044. *Q.* To what figure would you like that rate to be reduced ?

A. Say, 2½ per cent.

10045. *Q.* Below the general tariff of the country ?

A. What we are suggesting is that they are necessary for the development of the country and therefore their price should be reduced.

10046. *Q.* How is it going to develop commerce and trade ?

A. It will open up districts.

10047. *Q.* But, as a matter of fact, it seems to me that you want to encourage people to buy motor cars. Are you not going to seriously discourage them if you put up the price of petrol ?

A. A man has got to invest a large sum in a car or lorry, and if you reduce their price he can buy it. For the petrol he has not to pay immediately, but only as he goes on using it.

10048. *Q.* Are you aware that there is a very strong feeling that the price of petrol is already very high ?

A. We are suggesting that for commercial uses the price should be lessened. We can assure Government that they will have a large source of revenue.

10049. *Mr. Narottam Morarji.*—*Q.* In 1919-20 when the exchange was very favourable, the motor merchants ordered more cars than were needed here. They never anticipated what the actual demand would be; then exchange broke down and they suffered. Did they not ?

A. Yes.

10050. *Q.* And even in England and America, did the manufacturer not stop work for three weeks or so ?

A. Yes, some of them closed down for several months.

10051. *Q.* So it was not the duty that caused this general depression ? Was there not trade slump everywhere ?

A. We did not say that the duty was the sole cause, but it discouraged buyers by raising the price.

10052. *Q.* Could you make solid tyres here ?

A. It has been thought of and some experiments have been made, but they have not been successful. My opinion is that the rubber that is manufactured in the tropics is not of good quality.

10053. *Q.* Could you not manufacture them in cold places like Ootacamund ?

A. I do not think it has been tried in cold places.

10054. *Q.* But has any one started a rubber factory ?

A. They started but they had to close down.

10055. *Q.* What were they making ?

A. I do not think they made carriage tyres.

10056. *Q.* In 1913, when I was in England, I met a rubber expert and he stated that, in the tropics, factories could be established and they could manufacture rubber tyres ?

A. I am not certain about it. I think they have been carrying on experiments, but they have not been successful.

10057. *Sir Montagu Webb.*—*Q.* May I ask what exactly is the attitude of the Motor Trade Association towards the present tariff ? Are you of opinion that the present tariff is too high ? You suggest a modification in favour of commercial vehicles ?

A. We all consider it too high, 20 per cent. is a big figure.

10058. *Q.* But it is higher in the United Kingdom ?

A. Yes.

10059. *Q.* You say that the import duty in India keeps out English cars to a considerable extent ?

A. We can buy a car for £500 in England, but you would have to pay Rs.10,000 in Calcutta.

10060. *Q.* Do I understand that your view is that the tariff is now at a level which is checking consumption ?

A. It will certainly restrict the sales of English cars.

10061. *Q.* That is a very important point of which I should like to know more, because even for revenue purposes the tariff may be so high as to defeat its own ends. Does this 20 per cent. tariff on motor cars check consumption ?

A. Yes. It is the experience of the Motor Trade Association that since this high tariff came on, the sales of high priced cars is at a very low ebb, and the present purchasers want only low priced cars which are naturally American cars.

10062. *Q.* And do you think that is more the result of the tariff than of the general trade depression by which everybody is beginning to look round and count his rupees ?

A. A combination of both.

10063. *Q.* You would not be prepared to say that this change has been brought about solely by the tariff ?

A. No, no.

10064. *Q.* Then you propose for discrimination in the case of commercial vehicles down to 2½ per cent. I believe that they facilitate the development of the country ?

A. I think that goes without saying.

10065. *Q.* That seems to be a very sound argument. If this Government adopts a policy of encouraging trade in one way or other, you think 2½ per cent. would be a fair duty ?

A. Yes, for commercial vehicles.

10066. *Q.* How is the Government or the Collector of Customs to determine whether a chassis is for a commercial vehicle or a private car ?

A. I think that can easily be determined : one can easily see which is for a car and which is for a lorry.

10067. *Q.* You think there is no difficulty ?

A. Yes. I think if you put that question to the Collector of Customs, he will admit that.

10068. *Q.* I know that some chassis can be converted into commercial vehicles, but not a touring car ?—(No answer).

10069. *Mr. Coyajee.*—*Q.* Besides checking the imports of motor cars, this tariff has also reduced the imports of bicycles. Has it ?

A. I am afraid I am not qualified to speak on the bicycle trade. We do not touch it in our Association.

10070. *Q.* There is a 20 per cent. duty under the present tariff on all fittings of motors, including accumulators ?

A. Yes, I think so.

10071. *Q.* Are you aware that if they are brought in for purposes other than motor cars, they pay only 11 per cent. duty ?

A. If they are brought in as commercial vehicles, and if you can assure the Customs authorities that they are so brought, then you can get the advantage.

10072. *Q.* Now, this 20 per cent. duty on the higher priced British cars must give a great competitive advantage to the cheaper American cars ?

A. Yes, considerable.

10073. *Q.* What is the relative price of an English motor car and an American motor car of the same horse power ?

A. It is a very difficult question to answer. For instance, a popular English car of 10 or 12 h. p. is many times the price of a Ford of 20 h. p.

10074. *Q.* So the price of a British car being higher, it pays a higher duty than the American car ?

A. Yes,

10075. *Q.* Then, as regards the proposed tax on petrol which you have suggested, is there not an amount of fairness in it, because the tax on petrol is a tax on the use which you make of the motor car ?

A. Yes.

10076. *Q.* One point more. Do you think that the tariff could be employed for organising in India factories for assembling motor cars ?

A. Yes. That is done now. There are one or two workshops here for assembling cars.

10077. *Q.* The tariff is the same on parts and motors. Suppose the duty was a little lower on the parts than on the motor cars, that would promote and encourage a local industry for assembling cars ?

A. Yes.

10078. *Mr. Rhodes.*—*Q.* You have told us just now that the effect of the present high tariff of 20 per cent. is to drive demand on to American cars ?

A. On to lower priced cars.

10079. *Q.* England has a protective duty against American cars ?

A. Yes, against all foreign cars up to 33 per cent.

10080. *Q.* Does not that encourage the British makers to put their prices up ?

A. I do not know really, but I do not think so.

10081. *Q.* Do you think that one of the reasons why the British are not competing in India is they have an import duty to protect them and therefore they go in for expensive production ?

A. You asked me in the last question whether the import duty had not the effect of making the British makers to put their prices up. If you look up the balance sheets of motor companies, there are no results to show that they made excessive profits.

10082. *Q.* I am not suggesting that they are making excessive profits. It might be excessive cost of production. The import duty might have enabled the workmen to demand more wages ?

A. Well, many of the British manufacturers at the present time are doing all they can to encourage orders from abroad and to get back their export trade in motor cars. They are going as far as offering a small additional discount above the ordinary rate.

10083. *Q.* You cannot draw any connection between the import duty in England and the inability of the British manufacturers to sell in India in competition with America ?

A. No.

10084. *Q.* Has the high cost of production of cars in England been the result of the import duty ?

A. No: the cost of production has gone down considerably low.

10085. *Q.* I am surprised to see the British Motor Union saying that they want the duty to be paid specifically on weight and not *ad valorem*. They have put in a written recommendation before us that the duty here should be assessed on the weight. It struck me as rather peculiar, as English cars are heavier than American cars. Do you think that that would be a simpler form of duty ?

A. My Association is strongly opposed to duty on weight. I do not know of any country that imposes duty on motor cars according to their weight.

10086. *Q.* You know there are specific duties on other commodities, and if you want to impose a specific weight on motor cars, would you impose the duty by weight or by horse power ?

A. That is a complicated question. There has been a debate on that question at home. We suggest: put the tax on petrol.

10087. *Q.* If specific duties are decided on, in what form should motor cars be taxed ?

A. I think I would like to put that question before my Committee before I give a direct answer.

10088. *Mr. Mant.*—*Q.* Could you tell us why your Association prefers *ad valorem* duty ?

A. Because it seems the fairest way to arrive at your taxation.

10089. *Q.* I gather from your reply to Mr. Rhodes that you have not considered the alternative method ?

A. We were asked, "do you approve of the system of *ad valorem* customs duties, or would you prefer the duty should be specific, *i.e.*, a fixed charge for a given weight or measure." We said we favour *ad valorem*.

10090. *Q.* Mr. Rhodes has pointed out that there are ether methods of charging specific duties on motor cars ?

A. Yes.

10091. *Q.* You were also asked whether you would prefer *ad valorem* duties or specific duties on motor tyres, and you said you were opposed to duty by weight. But the Collector of Customs said that he would favour a specific duty.

A. The present method of assessing tyres is to take the wholesale selling price in India and put a duty on that. The duty is not on the cost price of the buyer at home.

10092. *Q.* The Collector of Customs wanted to get rid of that and wanted to have a fixed charge on weight and no *ad valorem* duty at all. Am I to understand that you are opposed to that ?

A. We object to the present system of putting duty on motor tyres, as we do not think it is fair or reasonable.

10093. *Q.* If you had a specific duty on motor tyres according to their size or weight, would that meet your convenience ?

A. Yes, it would, but we get fluctuations of values. You will never pay on what the article costs.

10094. *Q.* You would have a tariff valuation that would be revised periodically.

A. Until some such thing is devised, our idea is that an *ad valorem* duty is preferable.

10095. *Q.* There is only one other question. In connection with this, you propose a surtax on petrol, and you suggest that it should be reduced in the case of transport lorries. How would you work that out ?

A. The transport companies buy petrol from the petrol companies.

10096. *Q.* How will you collect the tax ?

A. The tax will be collected from the petrol companies.

10097. *Q.* At present it is an excise duty, and you are going to have a differential rate according to whom it is sold. You are going to charge a duty at the source and give the owner of the lorry a rebate on the petrol he uses ?

A. If the petrol companies collect the tax, they collect less tax from the petrol for commercial vehicles.

10098. *Q.* Would not that open a channel for leakage ?

A. It is quite possible. There are many other channels through which leakage occurs.

10099. *Q.* Is it really a practical proposition ?

A. We do say that, for the development of India, the use of commercial vehicles should be encouraged.

10100. *Q.* You realise that there are practical difficulties ?

A. We do not think they are insurmountable.

10101. *Sir Maneckjee Dadabhoy.*—*Q.* I understand from your evidence that there has been a great slump in your trade due to over-production in manufacturing countries and heavy imports in India ?

A. We have had very heavy imports in the end of 1920.

10102. *Q.* I also take it from your examination and specially from your answer to Question No. 73 that your Association does not object so much to the existing rates as to a further increase of the tax ?

A. We do say that the present duty restricts sales.

10103 *Q.* However, do you think that the present high tariff will have the effect of encouraging the establishment of a manufacturing industry in this country ?

A. The manufacture of parts—that is actually in existence here. We all make parts.

10104. *Q.* Has it encouraged the manufacture of parts in this country ? Do you import less quantity of parts from England now ?

A. It may ultimately affect the imports, but it has not yet, because we can now import at a lower price than we can manufacture.

10105. *Q.* But it may encourage manufacture ?

A. It is very far distant : not in the immediate future.

10106. *Q.* Are there adequate facilities for establishing the industry in the country ?

A. Yes.

10107. *Q.* You have made an interesting point in your answer to Question No. 78, and I think your complaint is legitimate. You say, "We approve of *ad valorem* duty but are of opinion that duty should be leviable on the factory cost of the article and not on the gross invoice cost. For example, a packing case which costs £30 in England, mostly labour charges, the duty of 20 per cent. on this amounts to approximately Rs. 100 and the case realises on sale an average of Rs. 10 to Rs. 15." You want not to pay on the actual packing charges ?

A. Yes. When you have to pay a duty of Rs. 100 on a packing case which gets you only Rs. 10 or Rs. 15, it sounds unreasonable.

10108. *Q.* But what would be the means of knowing the factory cost ?

A. The maker's invoice.

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Witness No. 68.

The National Liberal League, Calcutta.

Written statement, dated the 30th December 1921.

10109. *Q.* 1. We generally favour a policy of Protection. In fact, we are of the opinion that a protective tariff is essential for the growth and proper development of the necessary industries in this country. We believe that capital is not lacking in India, but it has not hitherto been available in sufficient amounts for industrial development, partly because it is prone to follow old channels but chiefly because of the apprehension that new industries in the country might be killed by foreign competition. Such apprehension has been aggravated by past experience of practically no steps being taken on the part of the Government to preserve old industries or to help the establishment and growth of new ones. A bold and decisive policy is, consequently, required to remove these fears, and a protective tariff is an urgent step in that direction. Apart from the above reason, the usual arguments appertaining to (*a*) new industries, (*b*) increased employment of labour, (*c*) the ability of an industrial country being more capable of averting calamities in years of scarcity, (*d*) bringing into existence of a greater capacity for taxation for the adoption of measures for the greater well-being and education of the people, (*e*) the necessity of adequate means in the country itself for less dependence on foreign countries during times of war, blockade, etc., and similar usual arguments in favour of a protective tariff—all apply here with great force. India has, furthermore, great natural advantage of having a large supply of raw materials, labour, market for finished product, and all the advantages that are required for industrial growth. Even England, the greatest importer of raw materials and exporter of manufactured products, which combination would most profit by a system of Free Trade, has extensively adopted a policy of Protection. In fact, it is well known that almost all the countries in the world have adopted protective tariffs, and we are firmly of opinion that if India is to materially prosper, there is no other alternative for her but to adopt a protective policy as soon as possible.

10110. *Q.* 2. We consider that a tariff provides a more suitable form of taxation for India than direct taxation. If fresh taxation were necessary, we would prefer an increase in customs to an increase in direct taxation. It is well known that direct taxation has always been very unpopular in this country. Direct taxation, furthermore, acts as a deterrent to the development of industries. While direct taxation acts as a check upon the growth of industries, a well devised tariff would help their growth.

10111. *Q.* 3. From the above answers it will appear that we advocate the principle of imposing a tariff both for revenue and protective purposes.

The change that we suggest is that the tariff should be so framed as to help a policy of Protection and the growth of industries. Thus, the industries that are selected for Protection should be allowed to import the necessary machinery, which is, for the time being, not produced in the country free of any duty, while the relative manufactured products should be subjected to enhanced duties. For example, it is desirable that the production of cotton goods should be greatly stimulated in the country; but the machinery therefore is not manufactured here. Consequently, the duty on cotton mill machinery, which has been recently levied, should be abolished altogether, while that on cotton piecegoods and yarns ought to be increased. Similarly, it is desirable to stimulate the production of a larger quantity of sugar in the country. While the duty on sugar should be increased, the import of sugar mill machinery should be allowed free of duty. In regard to jute products, India having a monopoly of the raw material, and specially in view of the recent attitude of the United States, it is desirable that the duty on the raw material should be increased within reasonable limits, while the export duty on the manufactured products should be reduced. In regard to jute manufactures it should also be remembered that the trade therein is at present passing a period of great crisis, and it is not possible for even the existing mills to work four days in the week if the interest of the shareholders and the merchants are to be properly safeguarded. This is partly, of course, due to the general depression in the trade of the world, but it is also due to the desire on the part of other countries like America, Germany, etc., to import less of jute manufactures and produce the same themselves. To keep this industry going, it is advisable to take immediate and adequate steps.

10112. *Q.* 4 and 5. We do not consider that the tariff should continue to be based on existing principles. It has in the past been greatly influenced by British interest, and specially by that of Manchester. In the circumstances, it has operated to the great detriment of this country, and far from new industries coming into existence and thriving, old industries have ceased to exist by reason of foreign competition. If the present policy be continued, we have no hesitation in thinking that India as an industrial country will cease to exist. What is needed is that the tariff should help the conservation and utilisation of the vast natural resources of the country for manufacturing purposes in the country itself, not only to meet the immense demand of the people here but also, in case of exportable surplus, to supply the demands of foreign markets. Thus, there should be a careful watch of the industries that are existing and are likely to exist in the near future, and the materials necessary therefor should be conserved for their purposes as aforesaid. We have, further, to mention the case of coal that constitutes the national fuel and without which it is impossible to work any large factory, especially in view of the fact that electricity from water power is not generated to any appreciable extent here. We have known of instances in which, while coal has been allowed to be exported, indigenous industries have been starved thereof. We are opposed to the export of coal both because it means "living on capital" and also, because it appears from the reports of commissions appointed by the Government that unless coal is duly conserved, the quantity available in India would be exhausted in the course of half a century.

In this connection, we feel it to be desirable to draw the attention of the Committee to the case of Indian shipping. It is well known that to develop Indian shipping it is necessary to protect it from foreign competition. We would suggest that, to start with, a difference should be made in the levying of port dues for coastal traffic between Indian shipping and foreign shipping so as to encourage the former. Our idea is that the same lines should be adopted by way of a subsidy, etc., as has been done by countries like the United States, Germany, Holland, Italy, etc. As soon as there be a sufficient number of Indian steamers to cope with the quantity of coastal traffic, this branch should be reserved for Indian steamers and it should, in due course, be similarly developed in order that Indian shipping may serve the requirements of the ocean-going traffic of the country with foreign countries. It is a great pity that India should have to pay a large amount of freights, and there is no reason why, with adequate Protection, this should not be saved to India.

10113. *Q.* 6 and 7. We are strongly opposed to the practice of imposing an excise duty to countervail an import duty on foreign articles. It has the effect of taking away all the benefits to be derived from the imposition of the import duty.

10114. *Q.* 8. Except in very extraordinary cases, when the supply is much less than the demand, as a consequence of which fanciful profits are derived by the manufacturer, excise duty would raise the price to the consumer. We do not think that the prices of indigenous articles would always tend to be equivalent to what a similar imported article would cost. It is all a question of supply and demand. When the supply of indigenous articles is equal to the demand, the prices would follow the cost of production with, in normal conditions, a reasonable profit by the manufacturer. In such cases the imposition of excise duty cannot but raise the price to the consumer.

10115. *Q.* 9. We consider, as already stated, that the tariff should be framed primarily with the object of fostering Indian industries. It is needless to mention that it would have the effect of bringing into existence essential industries with all the corresponding advantages thereof, *e.g.*, employment of labour, education of the people, absence of dependence on other countries, saving of freight, insurance, foreign port dues, profits, etc., that are now paid to foreigners; greater organisation and discipline among the people; greater taxable capacity which will enable the introduction of the desired measures for the education and wellbeing of the people; greater capacity for the defence of the country against foreign powers from wars and blockades, etc., and, in fact, other innumerable advantages which go to increase the material prosperity and happiness of the people.

10116. *Q* 10. We believe that India has the resources to be independent of other countries in regard to her requirements of manufactured goods. But in actual practice, we, at the same time, believe that India will not be isolated from the rest of the world and as industries develop in the country matters will so adjust themselves that she will continue to import such articles as other countries would be able, with better natural advantages, to produce more efficiently and at less costs, while India will export to other countries articles which, with her own natural advantages, she can produce more efficiently and at less cost. We cannot at present furnish a list of articles for which India will depend on other countries. This is a matter which will have to be watched as the country progresses in industries.

10117. *Q.* 11 and 12. For the purpose of developing Indian Industries we would not favour the imposition of protective duties on all imported manufactures from the very commencement. We believe that a beginning should be made with such industries as are in existence and are likely to easily come into existence and also industries which supply the necessaries of life. As industries develop a steady progress should be made towards the imposition of protective duties on all imported manufactures except those for which India may choose to rely on foreign countries. As regards the last, it will have to be watched whether the foreign supplying country will depend on India as its principal market, in which case duties could with advantage be imposed on such articles also without proportionately increasing the cost to the consumer.

To start with, we would select (*a*) piecegoods and yarn, (*b*) sugar, (*c*) salt, provided the excise duty be reduced or abolished so that the requirements of the country can be met by indigenous manufacture, (*d*) tanned leather, (*e*) jute and jute manufactures, (*f*) Indian shipping, (*g*) wheat and wheat-flour, (*h*) bolts and nuts, (*i*) matches, (*j*) glassware.

10118. *Q.* 13. We consider it desirable to establish new industries by Protection. The principle on which we would select them is to find out what new industries can be easily established if Protection were introduced.

10119. *Q.* 14. We would recommend Protection chiefly for industries which are likely, after a period, to be able to face foreign competition without such assistance. But there are certain industries the establishment of which is desirable, though they be likely to require continuous assistance. Such industries are those which supply the necessaries of life and materials for the defence of the country; from this category we would exclude luxuries and things of minor importance.

10120. *Q.* 15. We have no doubt that special Protection should be granted against foreign goods, favoured by such measures as dumping, bounties subsidies, or transport concessions, such special Protection being limited to goods in respect of which a protective tariff may be employed here or the position of which has been considered so satisfactory that no protective tariff may be felt to be necessary. A beginning might be made by adopting measures similar to those adopted in England in the Safeguarding of Industries Act, 1921. This is also a matter requiring constant watch and such means and measures from time to time should be adopted as may be found to be suitable.

10121. *Q.* 16. We are firmly of opinion that hand industries, and in particular the cotton hand-loom industry, should be maintained. India has a tradition of such industries, and the mentality of the people is particularly suited for such industries. A large percentage of the population is, and will continue to be, engaged in agriculture. Agriculture by itself is the key industry of the country and her strength lies in it. From all points of view agriculture has not only to be maintained but developed still further. It is, therefore, necessary that the number of people required for carrying on this key industry must not be snatched away from it. The agriculturist, however, and particularly those that till the land which furnishes only one crop in a year, as also women and children, have got spare time which they can devote to hand industries. It was by this method that the requirements of the country for manufactured products used to be met, and there also used to be some exportable surplus.

At the same time, we feel that for India, to compete with the rest of the world, it is necessary that big factories on modern lines must be established and encouraged.

In the circumstances, we feel that the State should foster both equally.

10122. *Q.* 17. In the present circumstances of India there is practically no danger of protection leading to combination among the protected manufactures in order to maintain a quasi-monopoly price. The industries are still in their infancy. It is premature to think of any safeguards, and if, and when, the time comes, there will be no difficulty in finding out steps necessary to counteract the evil effects of combination. We may, at the same time mention that we do not think that combination *per se* is bad and there are occasions on which combination is even good in the interests of the country.

10123. *Q.* 18. It is not unlikely that, if a protective policy is adopted, British and foreign industrial firms might endeavour to establish themselves in India in order to get the benefit of the protective tariff. Of the two evils, *viz.*, such establishment and the wholesale import of manufactured products, the former is preferable in that Indian labour is employed and products are manufactured in the country itself, so as to make India independent of foreign countries even in times of war and blockade, and moreover be safe from the evil effects of tariff wars adopted by other countries. But, at the same time, the condition of the country has already reached a position when it is desirable to avoid further investment of foreign capital even at the risk of slowing the pace of her industrial advancement. It will be remembered that, on an average for five years from 1910-11 to 1914-15, India had to pay 3,255 lakhs in Council Bills and 464 lakhs in Balance Nett Export Transactions, aggregating to 3,719 lakhs of rupees per year and that on an average for five years from 1915-16 to 1919-20 India had to pay 3,271 lakhs in Council Bills and 4,931 lakhs in Balance Nett Export Transactions aggregating 6,202 lakhs of rupees per year. So far as the latter figures are concerned, a part of them was due to the contribution of India towards the war. But it may safely be taken that India will have every year to pay about 50 crores of rupees, the large portion of which is interest on foreign investments and services rendered in the shape of shipping, insurance, etc. This position involves the necessity for India to maintain an excess of exports over imports to that figure, not only for the maintenance of exchange but also to be able to pay her liabilities. It is notorious that the position has been made worse by reason of the unwise interference by the Government with the exchange as a consequence of which the imports exceeded the exports by about 50 crores of rupees in the year 1920-21. The figures of trade from April to October 1921 also show that the balance of trade against India was by 1,469 lakhs of rupees even after allowing for the nett export of treasure to the extent of 278 lakhs of rupees. The consequence is that, to regain her favourable position, India will have to take good long time and there is no other alternative but that the imports must be considerably curtailed and further investments of foreign capital should be discouraged as much as possible so as not to increase her burden of interest on foreign investment. We would, therefore, suggest that without the permission of the permanent organisation that we recommend in answer to Question No. 29, no firm or company with foreign capital should be allowed to establish itself in the country. The permission above referred to should be granted with the greatest care and caution and should be restricted to such industries only as may be found to be very urgent or helpful to other industries established in the country.

10124. *Q.* 19. We do not think that, in the present circumstances of India, conflicts of interests of the nature contemplated in Question No. 19 would be likely to arise in the near future. If they do, there can be no difficulty in adjusting them. It is not special interests that have to be guarded, but the welfare of the whole country has to be served.

10125. *Q.* 20 and 21. When an import duty is imposed there is usually a temporary rise of price in the importing market, but after a short time prices are regulated by the law of supply and demand. The whole of the

duty would not be passed on to the consumer, specially when, as in the case of piecegoods and sugar, the producing countries rely chiefly on India for the sale of their manufactures and India is making headway in manufacturing her own requirements. The prices cannot be regulated by an excess or deficit of supply in comparison with demand. The fear contemplated in Question No. 20 is not of much moment, because we believe that by the adoption of a protective tariff industries will in the near future spring up in the country and will meet the demand of manufactured products and will thus enable the consumers to get their requirements cheaper than imported materials inasmuch as freight, insurance, port dues, exporters' and importers' profits, etc., would be saved furthermore, the other advantages mentioned in answer to Question No. 9 will more than counterbalance an inconvenience that might temporarily arise.

10126. *Q.* 22. We would be willing to accept an increasing price to the Indian consumer for the sake of developing Indian industries. The increased price that the Indian consumer might have to pay would, in fact, be an investment for their own benefit. The profits that go to manufacturers are not locked up but are reinvested by them in extending the same industries or in establishing or helping other industries useful to the country. The increase in price would also help the growth of hand and cottage industries, which would, on the one hand, tend to increase the supply and cheapen the price and, on the other, remove much of the idleness that unfortunately prevails in the country and bring other innumerable incidental advantages.

10127. *Q.* 23. So far as necessaries of life are concerned, we are of opinion that, in fixing the rate of duty, care should be taken to see that, while it serves to protect and encourage Indian industries, it is not fixed at so high a rate as to enable the owners of local mills to raise their prices too high because of the absence of foreign competition. In the category of necessaries we would include articles of food, scientific instruments, clothing and medicine.

10128. *Q.* 24. Yes.

10129. *Q.* 25. A policy of Protection would tend to reduce the foreign trade of India but would improve the general commercial position and prospects of the country. Such a policy would encourage the growth of industries as a result of which less raw materials would be exported and less manufactured products would be imported, inasmuch as much of the raw materials that are at present exported to foreign countries for manufacturing purposes and the manufactured products thereof are imported, would be utilised for manufacturing purposes here. It follows that the reduction in the value of import would be larger than that of exports, and would thus automatically help the balance of trade in India's favour.

10130. *Q.* 26. Yes. For example, the United States are at present contemplating the levying of an import duty on jute manufactures with a view to import more jute and manufacture hessians themselves. We may use our tariff by increasing the export duty on jute and reducing that on hessian so as to help our jute industry.

10131. *Q.* 27. We can not from the commencement recommend the adoption of general and special tariffs, because (1) it is desirable to watch the course of events, (2) it cannot from now be ascertained on what commodities and to what extent other countries could be allowed favourable treatment without injuring the interests of India and (3) it is not desirable that the general and special tariffs that might afterwards have to be framed should be disclosed to the world before the actual negotiations with other countries take place.

10132. *Q.* 28. Yes.

10133. *Q.* 99. Yes, we think that there should be an Indian as the President of such an organisation. He should also be the Member of Commerce in the Government of India. The Member for Revenue and Agriculture and the Member for Finance should also be members in order that the agricultural conditions and the revenue requrements of the country may be easily available to the organisation. The other members should be representative of different Provinces and important interests to be selected from nominations to be made by commercial bodies. Such an organisation should contain at least 75 per cent. Indian members.

10134. *Q.* 30. The export duties may, and should be, utilised for other purposes also. The case of jute and jute products has already been mentioned. Export duties may also be utilised for the purpose of retaining raw materials for manufacturing purposes. In certain cases, the effect of export duties may be to reduce the export trade in the relative commodities; the extent of the reduction would depend on the amount of the duty and the extent to which the importing countries rely or would have to rely on India for the supply of such stuffs. In certain circumstances, export duties may be imposed without injury to the trade, especially as regards the commodities in which India has a virtual monopoly; for example, jute. In the case of cotton, tea, hides and skins, and similar other materials in regard to which foreign countries to a great extent rely on India, export duties may be levied without injury to the export trade. The extent to which export duties may be levied without injury to the export trade cannot be stated with any fixity, inasmuch as it would depend on the supply of the world in any particular year and the buying capacity of other countries.

10135. *Q.* 31. Yes. The case of jute has already been mentioned. Another instance is that of cotton in view of the increasing production of piecegoods. The case of foodstuffs will be stated in answer to the next question. The effect on the producers of the raw materials would depend on the amount of the duty. If the duty be made so high that all exports would be prevented and the country glutted with too large a quantity for manufacturing purposes, the prices would go down enormously and the producers would thereby be affected. Generally speaking however, the agriculturists would continue to carry on their occupation, and a particular land and season that are suitable for a particular kind of crop would not easily be utilised for a different crop for which the land is not suitable.

10136. *Q.* 32. It is an admitted fact that the food production of India is wholly insufficient for the normal requirements of her population. This is the reason for lakhs of people starving every year, millions of people living on one meal a day, and crores of people living on things like *marh* (rice water). It is, therefore, necessary to conserve all available foodstuffs for consumption in the country. It is sometimes said that if export be prevented, the production of foodstuffs would be materially curtailed by reason of the fall in prices, but such a fear is really baseless having regard to the fact that India requires a large quantity of food grains for consumption, than she produces. The fall in prices that is observed is chiefly due to the wrong Railway policy which favours exports and imports against internal traffic and the want of transport facilities. The real remedy would thus be not to starve India by exporting foodgrains but to provide transport facilities for conveying foodgrains from one part of India to the other. If proper remedies be applied the prevention of export of foodstuffs would not have a deleterious effect on agricultural interests nor on the quantity of foodstuffs produced in India.

10137. *Q.* 33. Yes.

10138. *Q.* 34. We are not only opposed to the idea of the Imperial Preference at present, but we think that the consideration of this question is premature. India would not be justified in risking any appreciable economic loss for the sake of Imperial Preference.

On analysing the figures of trade it appears that the introduction of Imperial Preference would lead to an injury to India. From the import figures it appears that about $\frac{3}{4}$ths come from the British Empire and of the remaining $\frac{1}{4}$th which comes from outside many of the commodities are such as are not easily produced within the British Empire. Looking into the export figures it is found that a much larger percentage goes to foreign countries than to the other parts of the Empire, and of the Indian exports about 50 per cent. are comprised of raw materials. We have not yet heard of any foreign country levying a protective duty against the import of raw materials from India, and obviously they would like to import raw materials on the best terms from this country. It is further found that the excess of exports to foreign countries over imports therefrom was about 55 million pounds in 1910-11, about 59 million pounds in 1911-12, about 64 million pounds in 1912-13, and about 63 million pounds in 1913-14, and it is this trade that has caused the favourable balance of trade for India in the past. From this it will be found that to maintain a favourable balance of trade for India to the extent that it is necessary to do to maintain the exchange and to pay India's liabilities, it is necessary that the trade with foreign countries should not be unduly disturbed. If India introduces differential treatment between the British Empire and foreign countries, the latter will be justified in retaliating against India, and this course would be very damaging. Besides, so far as the Colonies are concerned, it appears that imports from them are practically negligible in comparison with exports thereto, and furthermore the latter are of a kind for

which India possesses natural advantanges. We thus believe that the introduction of Imperial Preference cannot lead to any good to India but is attendant with huge risks.

The discussion, however, of the question of Imperial Preference is premature and is liable to be very much misinterpreted. One reason therefore is the attitude of South Africa, etc., in regard to the status of Indians. It is generally felt by Indians that Imperial Preference can only stand on a basis of perfect equality, and so long as the British Dominions are not prepared to treat Indians on a status of perfect equality, the question of Imperial Preference for the purpose of conferring advantages on the British Empire cannot arise. The second reason is the behaviour of the European merchants and Banks, especially in Calcutta. It is notorious that the Banks give undue preference to European merchants and companies under European management to the exclusion of Indians. By reason of such financial assistance, as also by reason of the fact that buyers and sellers in the United Kingdom and other parts of the British Dominions give undue preference to exporting and importing European firms in this country, Indian merchants have been very much handicapped in the race. Furthermore, for example, although Indians hold not less than 60 per cent. of the shares in the Jute Mills, the European managing agents thereof do not buy jute through Indian brokers but do so through European brokers even on payment of, say, 8 annas more per maund. At the time of selling, most of the managing agents refuse to sell the finished products again to even those Indians with whom they do not consider it risky in dealing in the course of their other businesses including the business in jute products. The European merchants and shippers are thus "bounty-fed" and so long as this condition does not disappear it is impossible for Indians to consider the question of imperial preference.

10139. Q. 35. No.

10140. Q. 36. We anticipate material loss and apprehend likelihood of retaliation.

10141. Q. 37. Even if we had been in favour of Preference, we cannot find in respect of what articles preference could be introduced without loss to India.

10142. Q. 38. We would prefer to watch the progress of India before this question can be considered.

10143. Q. 39. We apprehend the British manufacturers would raise their rates to the extent of the Preference, and thus the consumer would suffer.

10144. Q. 40. We think that a system of Imperial Preference would upset the trade of India and her balance of trade.

10145. Q. 41. We have already explained in answer to Question No. 35 that a diversion of trade from foreign countries would have a bad effect on India's general trade position.

Witness No. 69.

The Marwari Association, Calcutta.

Written statement, dated the 5th January 1922.

10146. Q. 1. We favour a policy of Protection. In fact, we are of opinion that a protective tariff is very urgently needed at the present moment for the growth and proper development of essential industries in India. We do not believe that capital is lacking in India. It has not hitherto been available in sufficient amounts for industrial development partly because it is prone to follow old channels but chiefly because of the apprehension that new industries in the country might be killed by foreign competition. This apprehension has been strengthened by the continued apathy of Government in the matter of preservation of old industries and its disinclination to help the establishment and growth of new ones. The adoption of a bold and decisive policy will remove this feeling, and a protective tariff is an urgent step in this direction. Moreover, the usual arguments in favour of Protection, namely, that it (*a*) stimulates the development of new industries, (*b*) increases employment of labour, (*c*) enables a country to avert calamities more effectively in years of scarcity, (*d*) creates a greater capacity for taxation and thereby helps the people to concert suitable measures for the greater well-being and education of the people, (*e*) makes a country less dependent on foreign countries during times of war, blockade, etc., and others like these which are supported by the experience of some of the more important among the protectionist countries in the world apply here with great force. India, besides, possesses great natural advantages such as an abundant supply of raw materials, ample labour, an extensive market for finished products and most of the other conditions favourable for industrial growth. It cannot be denied that England built up her industries under a system of Protection. The phenomenal industrial and commercial success that she has achieved is, besides, to be attributed not a little to the political sway that she exercises over a wide Empire. There is, perhaps, no other country that imports raw materials and exports at the same time manufactured products to so large an extent as England, and this is a combination which prospers most under a system of Free Trade, but still, she has, of late, been forced by stress of circumstances to move towards a policy of Protection. In fact, it is well known that among the most important countries in the world, England alone follows a policy of Free Trade, while most if not all others have adopted a policy of Protection. We are firmly of opinion that if India is to materially prosper, there is no other alternative for her but to adopt a protective policy as soon as possible. In this connection we can't help inviting the attention of the Commission to some anti-development features of the past and present situation. The present Railway policy stands forth supreme in this respect. By favouring export of raw materials and import of manufactured products and certain centres where industries are under European management, our transport system has prevented the establishment of factories at a large number of places even with natural advantages of raw materials and labour. Unless the Railway policy be so moulded as to really serve the interests of the country, it would continue to be a great obstacle in the way of the country's development and might greatly neutralise the benefits that could otherwise be derived from a system of protective tariffs.

The next is the treatment accorded to Indian business by European merchants and Banks, especially in Calcutta. It is notorious that the Banks give undue preference to European merchants and companies under European management to the exclusion of Indians. By reason of such financial assitance, as also by reason of the fact that buyers and sellers in the United Kingdom and in other parts of the British Dominions give undue preference to exporting and importing European firms in this county, Indian merchants are very much handicapped in the race. Furthermore, for example, although Indians hold not less than 60 per cent. of the shares in the Jute Mills, the European managing agents thereof do not buy jute through Indian brokers but do so through European brokers even on payment of, say, 8 annas more per maund. At the time of selling the finished products again, most of the managing agents refuse to sell to even those Indians with whom they do not consider there is any risk in dealing in the course of their other businesses, including the business in jute products. They sell even to Japanese in preference to Indians. The "bounty-fed" European merchants and shippers thus prosper under a system of quasi-protection at the expense of Indians.

We may also mention the case of *Indian shipping*. If Indian shipping is to be properly developed it is necessary to protect it from foreign competition. We would suggest that, to start with, a discrimination should be made in the levying of port dues for coastal traffic between Indian shipping and foreign shipping, so as to encourage the former. Our idea is that the same lines should be adopted by way of subsidies, etc., as have been done by countries like the United States, Germany, Holland, Italy, etc. As soon as there is an adequte number of Indian steamships, they should be reserved for carrying the coastal traffic and Indian shipping should, in due course, be developed in order that it may serve the requirements of the ocean-going traffic of India with foreign countries. It

is a great pity that India should have to pay a large amount on freights, and there is no reason why with adequate Protection this should not be saved to her.

10147. *Q.* 2. We consider that a tariff provides a more suitable form of taxation for India at the present moment than direct taxation. If fresh taxation is necessary, an increase in customs is to be preferred to an increase in direct taxation. Direct taxation is unpopular, cannot be fully or cheaply collected and affects only British India. Direct taxation, furthermore, acts as a deterrent to the development of industries. While direct taxation acts as a check upon the growth of industries, a well-devised tariff would help their growth.

10148. *Q.* 3. We advocate a tariff both for revenue and protective purposes.

The tariff should be so framed as to help a policy of Protection and growth of industries. Thus, the industries that are selected for Protection should be allowed to import the necessary machinery which is not produced in the country, free of any duty, while the relative manufactured products should be subjected to enhanced duties. For example it is desirable that the production of cotton goods should be greatly stimulated in the country. But the machinery required for the purpose is not made in India. The duty on cotton mill machinery, which has been recently levied, should, under the circumstances, be abolished altogether while that on cotton piece-goods and yarn ought to be increased. Similarly, it is desirable to stimulate the production of a larger quantity of sugar in the country. While the duty on sugar should be increased, the import of sugar mill machinery should be allowed free of duty. In regard to jute products, India having a monopoly of the raw material, and especially in view of the recent attitude of the United States, it is desirable that the duty on the raw material should be increased, while the export duty on manufactured products should be considerably reduced. In regard to jute manufactures it should also be remembered that the trade is at present passing through a crisis, and if the interests of the shareholders and the merchants are to be properly safeguarded, it is not possible for the existing mills to work even 4 days in the week. This is, of course, partly due to the general depression in the trade of the world, but it is also due to the desire on the part of other countries like America, Germany, etc., to import less of jute manufactures and produce the same themselves. It is imperative that immediate and effective steps should be taken to keep this industry going.

10149. *Q.* 4 and 5. We do not consider that the tariff should continue to be based on existing principles. It has in the past been greatly influenced by British interests, and specially those of Manchester. The effect of this has been prejudicial to the interests of India, and instead of new industries coming into existence and thriving, old industries have either died out altogether or declined by reason of foreign competition. If the present policy is continued, we have no hesitation in thinking that India cannot develop into an industrial country. What is needed is that the tariff should be such as to help the conservation and utilisation of the vast natural resources available in India for manufacturing purposes in the country itself, not only to meet the immense demands of the people here but also, in case of exportable surplus, to supply the demands of foreign markets. Thus, there should be a careful examination of the industries that exist and are likely to come into existence in the near future, and the materials necessary therefore should be conserved for their purposes as aforesaid.

In this connection, it is not out of place to mention the case of coal that constitutes our national fuel and without which it is impossible to work any large factory, specially in view of the fact that hydro-electric power has not yet been begun to be utilised to any appreciable extent here. We have known of instances in which, while coal has been allowed to be exported, indigenous industries have suffered for want of it. We are opposed to the export of coal both because it means "living on capital" and also because it appears from the reports of some of the Committees appointed by Government that unless coal is duly conserved, the quantity available in India would be exhausted in the course of half a century.

10150. *Q.* 6 and 7. We are strongly opposed to the practice of imposing an excise duty to countervail an import duty on foreign articles except on liquors, intoxicating drugs, etc. This has the effect of taking away all the benefits to be derived from the imposition of an import duty.

10151. *Q.* 8. Except in very extraordinary cases, when the supply is much less than the demand, as a consequence of which fanciful profits might be derived by the manufacturer, excise duty would raise the price to the consumer. We do not think that the prices of indigenous articles would always tend to be equivalent to what a similar imported article would cost. It is all a question of supply and demand. When the supply of indigenous articles is equal to the demand the prices would follow the cost of production with, under normal conditions, a reasonable profit to the manufacturer. In such cases the imposition of an excise duty cannot but raise the price to the consumer.

10152. *Q.* 9. We consider, as already stated, that the tariff should be framed primarily with the object of fostering Indian industries. It is needless to mention that this will have the effect of bringing into existence essential industries with all the corresponding advantages thereof, *e.g.*, employment of labour; education of the people; absence of dependence on other countries; saving of freight insurance, foreign port dues, profits, etc., that are now paid to foreigners; greater organisation and discipline among the people; greater taxable capacity which will enable the introduction of the desired measures for the education and well-being of the people; greater capacity for the defence of the country against foreign powers from wars and blockades, etc., and, in fact, other innumerable advantages which go to increase the material prosperity and happiness of the people. We do not agree with those who think that the growth of industries would draw away men from agriculture; those who say so are obviously imperfectly acquainted with the conditions of the country. All persons who are classed as agriculturists are not actively engaged as such. They belong to families whose occupation is agriculture. Members of such families will offer themselves for employment in industries. This will be a source of gain to them. Furthermore, even those who will continue to be employed as agriculturists will spend their spare time in carrying on hand industries. As a result thereof their indebtedness will disappear and they will be in a position to improve their land, use better seed and manure and adopt modern improvements and consequently be able to produce larger quantities and better quantities of crops.

10153. *Q.* 10. We believe that India has the resources needed to enable her to be independent of other countries in regard to her requirements of manufactured goods. But in actual practice we, at the same time, believe that India will not be isolated from the rest of the world, and as industries develop in the country, matters will so adjust themselves that she will continue to import such articles as other countries would be able, with better natural advantages, to produce more efficiently and at less cost, while India will export to other countries articles which, with her own natural advantages, she can produce more efficiently and at less cost. We cannot at present furnish a list of articles for which India will depend on other countries. This is a matter which will have to be looked into as the country progresses in industries.

10154. *Q.* 11 and 12. For the purpose of developing Indian industries, we would not favour the imposition of protective duties on all imported manufactures from the very commencement. We believe that a beginning should be made with such industries as are in existence and are likely to come into existence easily and also industries which supply the necessaries of life. As industries develop, efforts should be made steadily towards the imposition of protective duties on all imported manufactures except those for which India may choose to rely on foreign countries. As regards the last, it will have to be seen whether the foreign supplying country will depend on India as its principal market, in which case duties could with advantage be imposed on such articles also, without proportionately increasing the cost to the consumer.

To start with, we would select (*a*) piece-goods and yarn, (*b*) sugar, (*c*) salt, provided the excise duty be reduced or abolished, so that the requirements of the country can be met by indigenous manufacture, (*d*) tanned leather, (*e*) woollen goods, (*f*) iron and steel, (*g*) boilers, bolts, and nuts, (*h*) articles of luxury, etc.

10155. *Q.* 13. We consider it desirable to establish new industries by Protection after ascertaining what new industries can be easily established if Protection is introduced.

10156. *Q.* 14. We would recommend Protection chiefly for industries which are likely, after a period, to be able to face foreign competition without such assistance. But there are certain industries, the establishment of which is desirable though they be likely to require continuous assistance. Such industries are those which supply the necessaries of life and materials for the defence of the country.

10157. *Q.* 15. We think that special Protection should be granted against foreign goods favoured by such measures as dumping, bounties, subsidies, or transport concessions; such special Protection being limited to goods the manufacture of which may be encouraged in India. A beginning might be made by adopting measures similar to those adopted in England and contemplated in the Safeguarding of Industries Act, 1921. This is also a matter requiring constant vigilance and such means and measures from time to time should be adopted as may be found to be suitable.

10158. *Q.* 16. We are firmly of opinion that hand industries, and in particular the cotton hand-loom industry should be maintained. India has a tradition of such industries, and the mentality of the people is particularly suited for such industries. A large percentage of the population is, and will continue to be, engaged in agriculture. Agriculture by itself is the key industry of the country and her strength lies in it. Agriculturists, however, and particularly those that till the land which furnishes only one crop in a year, as also women and children, have got spare time which they can devote to hand industries. It was by this method that the requirements of the country for manufactured products used to be met, and there also used to be some exportable surplus.

At the same time, we feel that for India, to compete with the rest of the world, it is necessary that big factories on modern lines must be established and encouraged.

The State can assist hand industries in several ways. Besides the adoption of Protection, correcting the Railway policy, etc., the Government may help them somewhat on the lines suggested by Mr. Sanjiva Rao, the textile expert to the Government of Bihar and Orissa. (*Vide* his article in the Journal of Indian Industries and Labour, Part 4 pages 479 to 481).

10159. *Q.* 17. In the present circumstances of India there is practically no danger of Protection leading to combination among the protected manufactures in order to maintain a quasi-monopoly price. The industries are still in their infancy and they are mostly situated in different parts of the country. It is premature to think of any safeguards, and if and when the time comes, there will be no difficulty in finding out safeguards, necessary to counteract the evil effects of combination. We may, at the same time, mention that we do not think that combination *per se* is bad, and there are occasions on which combination is even good in the interests of the country.

10160. *Q.* 18. It is unlikely that, if a protective policy is adopted, British and foreign industrial firms might endeavour to establish themselves in India in order to get the benefit of the protective tariff. Of the two evils, *viz.*, (1) establishment of such firms and (2) the wholesale import of manufactured products, the former is preferable in that Indian labour would be employed and products would be manufactured in the country itself, so as to make India independent of foreign countries even in times of war and blockade, and she will moreover be safe from the evil effects of tariff wars adopted by other countries. But, at the same time, the condition of the country has already reached a position when it is desirable to avoid further investment of foreign capital. It will be remembered that on an average for 5 years from 1910-11 to 1914-15 India had to pay 32,55 lakhs in Council Bills and 4,64 lakhs in Balance Nett Export Transactions, aggregating to 37,19 lakhs of rupees per year and that on an average for 5 years from 1915-16 to 1919-20 India had to pay 32,71 lakhs in Council Bills and 49,31 lakhs in Balance Nett Export Transactions, aggregating to 82,02 lakhs of rupees per year. So far as the latter figures are concerned, a part of them was due to the contribution of India towards the war. But it may safely be taken that India will, even on her present commitments, have to pay at least 50 crores of rupees every year, the larger portion of which is interest on foreign investments and services rendered in the shape of shipping, insurance, etc. This position involves the necessity for India to maintain an excesss of exports over imports to that figure, not only for the maintenance of exchange but also to enable her to pay her liabilities. It is notorious that the position has been made worse by reason of the unwise interference by the Government with the exchange, as a consequence of which the imports exceeded the exports by about 50 crores of rupees in the year 1920-21. The figures of trade from April to October 1921 also show that the balance of trade against India was by 1,469 lakhs of rupees even after allowing for the nett export of treasure to the extent of 278 lakhs of rupees. The consequence is that to regain her favourable position, India will have to take a good long time and there is no other alternative but that the imports must be considerably curtailed and further investments of foreign capital should be discouraged as much as possible so as not to increase her burden of interest on foreign investments. We would, therefore, suggest that without the permission of the permanent organisation that we recommend in answer to Question No. 29, no firm or company should be allowed to establish itself in the country at least 75 per cent. of whose capital is not furnished by Indians. The permission above referred to should be granted with the greatest care and caution and should be restricted to such industries only as may be found to be very urgent or helpful to other industries established in the country.

10161. *Q.* 19. We do not think that in the present circumstances of India conflicts of interests of the nature contemplated in Question No. 19 are likely to arise in the near future. If they do, there will be no difficulty in adjusting them. It is not special interests that have to be guarded but the welfare of the whole country has to be secured.

10162. *Q.* 20 and 21. When an import duty is imposed, there is usually a temporary rise of price in the importing market, but after a short time prices are regulated by the law of supply and demand. The whole of the duty would not be passed on to the consumer, specially when, as in the case of piece-goods and sugar, the producing countries rely chiefly on India for the sale of their manufactures and India is making headway in manufacturing her own requirements. The prices cannot but be regulated by an excess or deficit of supply in comparison with demand. The fear contemplated in Question No. 20 is not of much moment, because we believe that by the adoption of a protective tariff industries will in the near future spring up in the country and will meet the demand of manufactured products and will thus enable the consumers to get their requirements cheaper than imported materials, inasmuch as freight, insurance, port dues, exporters' and importers' profit, etc., would be saved. Furthermore, the other advantages mentioned in answer to Question No. 9 will more than counterbalance any inconvenience that might temporarily arise.

10163. *Q.* 22. We would be willing to accept an increase in price to the Indian consumer for the sake of developing Indian industries. The increased price that the Indian consumer might temporarily have to pay would, in fact, be an investment for their own permanent benefit. The profits that go to manufacturers are not locked up but are reinvested by them, either in extending the same industries or in establishing or helping other industries useful to the country. The increase in price would also help the growth of hand and cottage industries, which would, on the one hand, tend to increase the supply and cheapen the price and on the other remove much of the idleness that unfortunately prevails in the country. While the increase in price to the consumer would be only temporary, the consequent rise in wages would become permanent, resulting in greater efficiency and contentment.

10164. *Q.* 23. So far as necessaries of life are concerned, we are of opinion that, in fixing the rate of duty, care should be taken to see that while it serves to protect and encourage Indian industries, it is not fixed at so high a rate as to enable the owners of local mills to raise their prices too high because of the absence of foreign competition. In the category of necessaries we would include articles of food, clothing and medicine.

10165. *Q.* 24. Yes. We have also dealt with this point in answering Question No. 22.

10166. *Q.* 25. A policy of Protection while not tending to reduce the foreign trade of India will immensely improve the general commercial position and prospects of the country. Such policy would encourage the growth of industries as a result of which the country will become richer, the buying capacity will increase, and the standard of living will rise. As a consequence thereof the sea-borne trade is not likely to diminish.

10167. *Q.* 26. Yes. For example, the United States are at present contemplating the levying of an import duty on jute manufactures with a view to import more jute and manufacture hessians themselves. We may use our tariff by increasing the export duty on jute and reducing that on hessian so as to help our jute industry.

10168. *Q.* 27. We are not in a position just now to recommend the adoption of general and special tariffs because

(1) it is desirable to watch the course of events,

(2) it cannot now be ascertained on what commodities and to what extent other countries could be allowed favourabe treatment without injuring the interests of India, and

(3) it is not desirable that the general and special tariffs that might afterwards have to be framed should be dis-

closed to the world before the actual negotiations with other countries take place.

10169. *Q.* 28. Yes.

10170. *Q.* 29. Yes. We think that there should be an Indian as the President of such an organisation. The members shoud be representative of different provinces and important interests to be selected from nominations to be made by commercial bodies. Such an organisation should contain at least 75 per cent. Indian members.

10171. *Q.* 30 and 31. The export duties may and should be utilised for purposes other than of revenue. The case of jute and jute products has already been mentioned. Export duties may be utilised for the purpose of retaining raw materials for manufacturing purposes. In certain cases the effect of export duties may be to reduce the export trade in the relative commodities; the extent of the reduction would depend on the amount of the duty and the extent to which the importing countries rely, or would have to rely, on India for the supply of such materials. In certain circumstances export duties may be imposed without injury to the trade, especially in case of commodities in which India has a virtual monopoly, for example, jute, mica schellac, manganese, etc. In the case of cotton, tea, hides and skins, and similar other materials in regard to which foreign countries to a great extent rely on India, export duties may be levied without injury to the export trade. The extent to which export duties may be levied without injury to the export trade cannot be stated with any definiteness, inasmuch as it would depend on the supply of the world in any particular year and the buying capacity of other countries.

10172. *Q.* 32. Yes The case of jute has already been mentioned. Another instance is that of cotton in view of the increasing production of piece-goods. The case of foodstuffs will be stated in answer to the next question. The effect on the producers of the raw material would depend on the amount of the duty. If the duty be made so high as to prevent all exports and the country be glutted with too large a quantity for manufacturing purposes, the prices would go down enormously and the producers would thereby be affected. Generally speaking, however, agriculturists would continue in their occupation, and particular lands that are suitable for particular kinds of crops would not easily be utilised for different crops for which the lands are not suitable.

10173. *Q.* 33. It appears that while India really requires about 9 crores tons of food-grains per year for consumption, she, in fact produces in a normal year only about 5 crores tons. This is the reason for lakhs of people starving every year, millions of people living on one meal a day, and crores of people living on things like *Marh* (rice water). It is, therefore, necessary to conserve all available foodstuffs for consumption in the country. It is sometimes said that if export be prevented, the production of foodstuffs would be materially curtailed by reason of the fall in prices but such a fear is really baseless having regard to the fact that India requires a larger quantity of food-grains for consumption than she produces. The fall in prices that is observed is chiefly due to the wrong Railway policy which favours exports and imports against internal traffic and the want of transport facilities. The real remedy consists in providing transport facilities for conveying food-grains from one part of India to the other and not starving India by exporting food-grains. If proper remedies be applied, the prevention of export of foodstuffs would not have a deleterious effect on agricultural interests, nor on the quantity of foodstuffs produced in India.

10174. *Q.* 34. On the general question of imposing export duties forthwith, we may state we would not do so except (1) on articles for which India has a monopoly as aforesaid, (2) on foodstuffs and (3) on articles like coal and other minerals the export of which would exhaust the resources of the country.

10175. *Q.* 35. We are strongly opposed to the idea of Imperial Preference and think that its introduction will be injurious to the interests of the country. India would not be justified in risking any economic loss for the sake of Imperial Preference. We cannot understand how India can gain any reciprocal advantage. The discussion, however, of the question of Imperial Preference is premature and is liable to be very much misinterpreted. India can not forget the attitude of the Colonies in regard to the status of Indians. Imperial Preference can only stand on a basis of perfect equality, and so long as the British Dominions are not prepared to treat Indians on a basis of perfect equality, the question of Imperial Preference cannot arise.

10176. *Q.* 36. No.

10177. *Q.* 37. We anticipate material loss and apprehend likelihood of retaliation.

10178. *Q.* 38. Even if we had been in favour of Preference, we do not find in respect of what articles Preference could be introduced without loss to India.

10179. *Q.* 39. We would prefer to watch the progress of India before this question can be considered.

10180. *Q.* 40. We apprehend the British manufacturers would raise their rates to the extent of the Preference, and thus the consumer would suffer.

10181. *Q.* 41. We think that a system of Imperial Preference would upset the trade of India and her balance of trade.

10182. *Q.* 42. It is the trade with countries outside the British Empire that gives to India the favourable balance of trade which is required for maintaining the exchange and the payment of India's liabilities. We have already had a bad experience of Imperial Preference in connection with hides and skins. We fear that Imperial Preference will introduce a great deal of confusion in India's foreign trade. Such disturbances cannot be risked, specially at the present time when, as a result of the unfavourable balance of trade for the past two years, the economic position of India with the outside world is seriously upset. To rehabilitate India's position, it is necessary that attention should be concentrated on the development of her indigenous industries untramelled by any extraneous considerations whatsoever.

10183. *Q.* 43. Members of our Association are interested in cotton mills, jute mills, oil mills, sugar mills, flour mills, rice mills, collieries, mica mines, etc., as owners and managing agents, but we shall answer the following questions with special reference to cotton mills and jute mills.

10184. *Q.* 44. The natural advantages for cotton mills are that for the lower counts raw material is available in the country, Indian experts and labour are available, and there is a vast market for the finished products. For higher counts either raw cotton or yarn has to be imported, but the other advantages mentioned above are found. It may, however, be added that the local mills are making a steady progress in spinning the higher counts of yarn and efforts are being made to improve the quality of cotton yarn here. The natural advantages for jute mills are that the raw material is not only available but India has the monopoly thereof. Labour is available.

10185. *Q.* 45. Both the industries mentioned above are essential to national security as also of substantial importance to the economic prosperity of India.

Cotton mills.—Their necessity for national security was amply proved during the last war. Owing to labour in England having been vastly employed for war purposes, production there was greatly curtailed and it was the local cotton manufacture that saved the situation in this country.

It is hardly necessary to explain at any length the importance of cotton mills for the economic prosperity of India. From a recent communiqué issued by the Government of Bihar and Orissa, it appears that before the war there was a consumption in India of about 440 crores of yards but during the war, owing to high prices, the consumption fell to 370 crores of yards, of which 240 crores of yards were produced in India in the year 1920-21.

Taking the average production of cotton in India to be even as low as 40 lakhs of bales each year, *i.e.*, 160 crores lbs., we find that, if the whole of this material could be manufactured locally, we could get a production of about 600 crores of yards. The result would be that the requirements of India, *viz.*, 400 crores of yards, could be made locally and the import of about 60 crores of rupees worth of piece-goods could be dispensed with. Furthermore, we could export about 160 crores of yards of cloth of the value of about 60 crores of rupees, taking the price at the low average of six annas per yard.

On a rough average, we import about 60 crores of rupees worth of cotton manufactures and export about 40 crores of rupees worth of cotton and 13 crores of rupees worth of cotton fabrics, *i.e.*, there is a nett import of about 7 crores of rupees. As against this, if we can manufacture all our cotton, we can have a nett export of 60 crores of rupees, that is to say, it would help to secure a favourable turn in the balance of trade to the extent of about 67 crores of rupees. In addition to this desirable factor India

would also benefit by the employment of labour, and manufacturer's profits and in innumerable other ways.

Jute mills.—Their necessity for national security was also amply proved during the last war for which the jute mills supplied large quantities of war bags, etc. Their importance to the economic prosperity of India will be apparent from the fact that jute fabrics on a rough average have been exported from India to the extent of about 40 crores of rupees. The bags are also required in India for packing food-grains and other commodities for conveyance from one place to another.

10186. *Q.* 46. *Cotton mills.*—This industry is not yet fully developed. The profits made during the last few years were (*a*) largely due to (1) the curtailment of production in England during and after the war on account of war employment and labour troubles, and (2) the consequent high prices and also (*b*) partly due to the political agitation for the boycott of foreign goods. These reasons for a boom cannot but be temporary and signs of a relapse are already visible.

There is still much uphill work to be done for a proper organisation and equipment of the industry. India has to rely on foreign countries for the supply of machinery and machinery parts and to a large extent of stores also. Labour is still inefficient and therefore India finds it difficult to compete with Japan. The majority of Indian mills are still much too small to stand foreign competition and have not got substantial reserves. They, and specially the new mills, do not get the required amount of financial support from the Banks as also from the public in the absence of any safeguards on the part of the State for Protection from foreign competition. Arrangements have still to be made for the spinning and weaving of an adequate quantity of finer counts and fancy goods—a condition which is necessary for the permanent stability of the industry on general economic grounds.

Jute mills.—This industry has made a good headway as regards the coarse qualities of hessian and sacking but has not taken to finer qualities manufactured in Dundee out of jute imported from India, nor to the production of fancy goods as in Germany, etc.

10187. *Q.* 47. *Cotton mills.*—Their output is mostly sold in India but an appreciable portion thereof is also exported to foreign countries as will appear from the following tables:—

Exports of Cotton Twist and Yarn.

Countries.	1913-14.	1918-19.	1919-20.	1920-21.
	lbs.	lbs.	lbs.	lbs.
China	177,977,000	48,801,000	126,550,000	63,426,000
Egypt	1,654,000	4,701,000	7,243,000	3,401,000
Straits Settlements	4,787,000	2,616,000	4,057,000	3,785,000
Persia	1,805,000	1,133,000	3,196,000	2,689,000
Siam	324,000	493,000	953,000	789,000
United Kingdom	302,000	505,000	655,000	655,000
Arabia other than Maskat	49,000	163,000	38,000	54,000
Other countries	11,080,000	5,386,000	9,178,000	7,736,000
Total (all countries) ...	197,978,000	63,798,000	151,870,000	82,535,000
Value in Rupees ...	9,83,23,000	7,22,23,000	18,25,92,000	10,17,15,000

Exports of Indian cotton piece-goods.

Countries.	1913-14.	1918-19.	1919-20.	1920-21.
	Yds.	Yds.	Yds.	Yds.
Persia	7,609,000	28,471,000	34,411,000	18,624,000
Turkey, Asiatic	12,824,000	30,188,000	52,060,000	29,215,000
Straits Settlements	17,948,000	19,185,000	20,075,000	20,561,000
Aden and Dependencies	7,143,000	16,010,000	14,998,000	17,414,000
East African Protectorate (including Zanzibar and Pemba)	5,465,000	7,147,000	12,756,000	12,379,000
Ceylon	9,354,000	12,981,000	17,992,000	15,157,000
Other East African ports	16,118,000	17,008,000	8,937,000	13,328,000
Other countries	12,773,000	18,098,000	35,326,000	19,687,000
Total (all countries) ...	89,234,000	149,088,000	196,555,000	146,365,000
Value in Rupees ...	2,13,69,000	6,45,26,000	8,73,62,000	7,50,63,000

Jute mills.—A small percentage of their output is sold in India, but the industry has almost entirely to depend on foreign countries for the sale of their manufactures as will appear from the following table:—

Export of jute manufactured.

(In thousands of £ sterling.)

Countries.	1913-14.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£(1,000).	£(1,000).	£(1,000).	£(1,000).	£(1,000).	£(1,000).
Gunny Bags—						
United Kingdom	613	3,247	2,214	1,032	3,081	2,177
Australia	1,669	2,112	1,997	2,640	1,768	4,302
Russia	...	1,732	...	...	...	...
West Indies	368	964	1,299	971	1,977	2,026
Chile	663	944	869	1,117	621	1,997

Export of jute manufactured—contd.

(In thousands of £ sterling.)

COUNTRIES.	1913-14.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£(1,000).	£(1,000).	£(1,000).	£(1,000).	£(1,000).	£(1,000).
Gunny Bags—*contd.*						
United States	1,008	683	860	1,471	1,483	2,144
Egypt	385	366	1,066	1,147	710	1,050
Java	465	605	688	968	1,046	1,222
France	21	342	124	179	233	583
Siam	305	266	390	239	310	199
Natal	169	290	474	636	480	473
New Zealand	248	269	250	404	387	513
Straits Settlements	234	194	179	273	751	361
China (exclusive of Hong-Kong)	283	323	206	167	394	803
Indo-China	363	444	311	668	600	746
Hong-Kong	49	227	248	254	477	673
Portuguese East Africa	124	27	45	90	57	203
Japan	92	185	500	606	1,201	710
Peru	62	136	110	244	104	259
Mauritius	51	136	58	97	184	202
Cape Colony	130	115	259	412	108	148
Sandwich Islands	170	150	99	186	248	121
Turkey, Asiatic	117	3	1	8	225	86
Germany	114	...	...	...	...	...
Belgium	112	...	...	...	366	554
Turkey, European	25	...	...	...	209	102
Argentine Republic	116	33	195	142	265	206
Other countries	397	435	540	938	1,293	2,049
TOTAL BRITISH EMPIRE ...	3,368	7,303	7,230	7,512	8,305	10,766
TOTAL FOREIGN COUNTRIES ...	4,985	6,925	5,752	7,377	10,273	13,140
GRAND TOTAL ...	8,353	14,228	12,982	14,889	18,578	23,909

COUNTRIES.	1913-14.	1916-17.	1917-18.	1918-19.	1919-20.	1920-211
Gunny Cloth—						
United States	6,816	7,421	10,599	13,151	19,167	18,698
Argentine Republic	1,848	1,623	1,039	1,802	6,012	4,916
United Kingdom	558	1,935	1,013	1,287	2,623	2,220
Canada	375	542	828	1,278	1,626	851
Australia and New Zealand	342	455	413	536	438	484
Uruguay	106	30	50	97	438	157
Germany	87	...	...	...	...	...
Turkey, Asiatic	14	3	1	...	15	5
Ceylon	21	20	16	51	70	28
Other countries	229	1,369	1,423	1,594	1,356	1,180
TOTAL BRITISH EMPIRE ...	1,325	3,063	2,441	3,342	4,241	3,686
TOTAL FOREIGN COUNTRIES ...	9,071	10,335	12,941	16,454	26,907	24,853
GRAND TOTAL ...	10,396	13,398	15,382	19,796	31,148	28,539
Other jute goods (including twist and yarn)	100	155	198	147	289	547
TOTAL JUTE MANUFACTURES ..	18,849	27,781	28,562	25,102	50,015	52,995

10188. *Q.* 46. *Cotton mills.*—The competition varies with different classes of goods. In regard to the finer counts (above 40's) and white goods, the competition is mainly with Lancashire, while, in regard to the coarser counts and grey and cheaper goods, it is mainly with Japan.

Jute mills.—In regard to the qualities produced by the Indian mills, they have hitherto had a virtual monopoly but the United States and Brazil are now trying to import raw jute and manufacture their own requirements.

10189. *Q.* 49. In regard to the *cotton manufactures*, England has the advantage of a long start, of financial support from the Banks and the public and of the Indian market with its Free Trade policy.

10190. *Q.* 50. The *cotton industry* needs Protection by means of an import duty on both piece-goods and yarns and the abolition of the excise duty.

10191. *Q.* 51. We think it likely that if Protection is granted, the cotton industry will eventually reach a level

of development which would enable it to face foreign competition without the aid of Protection.

10192. *Q.* 52. We do not answer this question.

10193. *Q.* 53. *Cotton industry.*—The unusual rise of sterling exchange in August 1919 and the steady rise thereof till the highest point was reached in March 1920, led to the placing of heavy orders for cotton manufactures as will be apparent from the fact that when the orders then placed were executed in 1920-21, it was found that the imports of cotton manufactures had increased from 5,908 lakhs of rupees in 1919-20 to 10,212 lakhs of rupees in 1920-21. There was a big jump in the coarser counts of yarns No. 1 to 20 from 458,000 lbs. in 1919-20 to 7,591,000 lbs. in 1920-21. The total quantity of cotton twist and yarn imported rose from 15,097,000 lbs. in 1919-20 to 47,333,000 lbs. in 1920-21. Printed, dyed and woven coloured piece-goods rose from 208 million yards worth 1,275 lakhs of rupees in 1919-20 to 489 million yards worth 3,457 lacs of rupees in 1920-21. Grey goods rose from 533·3 million yards and white goods from 322 million yards in 1919-20 to 580·2 and 421·8 million yards respectively in 1920-21.

If the sterling exchange rate had continued to remain high, it would have meant a death blow to the Indian cotton industry notwithstanding the boycott agitation.

10194. *Q.* 54. *Cotton industry.*—Having regard to the depressed condition of the world's markets, it would not be surprising if the phenomenon is repeated.

10195. *Q.* 55. *Cotton industry.*—We consider that a remedy is required, and suggest that if the exchange depreciate by more than 10 per cent. of the standard rate (taking Rs. 15 to the £), the excess of such depreciation should be charged in the shape of a super duty. The super duty may from time to time be fixed by resolution of the "permanent organisation." The remedy suggested by us will create confidence in the minds of the public and encourage the extension and establishment of mills and the growth of cottage and hand industries.

10196. *Q.* 56. *Cotton industry.*—The enhancements of the tariff have to some extent been counterbalanced by the continuance of the excise duty. And the benefits that would otherwise have accrued were greatly lessened by the Government having repeatedly proclaimed that the increases were made solely for revenue purposes and the agitation carried on by the Lancashire manufacturers and their threat of getting a law passed by Parliament to nullify the Acts of the Indian legislature.

10197. *Q.* 57. In cotton industry there are no export duties.

10198. *Q.* 58. *Cotton industry.*—Yarn is used for weaving cloth.

Jute industry.—Hessians are used for making bags and jute twist and yarn are used for their manufacture.

10199. *Q.* 59. *Cotton industry.*—The weaving industry uses yarn, the manufacture of which is partly and is likely to be fully established in India.

10200. *Q.* 60. We prefer a system under which industries receive varying amounts of Protection in accordance with their needs.

(D) (E) and (F) Export, import and retail trades.

Members of our Association are interested in such trades in a large number of commodities, but the salient features have been dealt with in the preceding answers and therefore we do not desire to prolong our statement.

Oral evidence of Mr. Khaitan, representing the Marwari Association and the National Liberal League, dated Calcutta, the 12th January 1922.

10201. *President:* *Q.* You appear as a representative, Mr. Khaitan, of the Marwari Association and the National Liberal League?

A. Yes.

10202. *Q.* I see that the first part of both the replies is identical?

10203. *A.* Yes. The National Liberal League has not dealt with Section C. In regard to A and B the replies are identical. C and D and other parts are dealt with by the Marwari Association alone.

10204. *Q.* So that your reply to parts A and B, will be common to both.

A. Yes.

10205. *Q.* You say in answer to Q. No. 1 "We believe that capital is not lacking in India, but it has not hitherto been available in sufficient amounts for industrial development, partly because it is prone to follow old channels but chiefly because of the apprehension that new industries in the country might be killed by foreign competition. Such apprehension has been aggravated by the past experience of practically no steps being taken on the part of the Government to preserve old industries or to help the establishment and growth of new ones." What do you mean by the last sentence? Will you kindly explain?

A. At some time India used to manufacture not only her requirements of Indian goods, but to export cotton goods. Instead of adopting a policy of Protection, India ceased to manufacture cotton goods and took to importing cotton goods from abroad. Now, people think that if they have kept money in the cotton industry for instance, it is because of the abolition of Free Trade that has been adopted in the past and which has hitherto been followed; the cotton industry might be killed by foreign competition. You will have noticed in recent years that Japan has been exporting to India goods which used to be and are being manufactured in India and therefore competition has come into the field. The Government ought to have adopted a policy of Protection in order to infuse confidence in capitalists who would invest money in the cotton industry to develop and expand the industry so as to meet the requirements of India. Then comes the question of the Railway policy. You will find that the Railway rates to and from the ports are much less than the Railway rates to and from industrial centres. The result of that has been to the detriment of the Indian industries. That is also a result of the policy of Government. Similarly, other instances might be given. The action of Government in the past has not been such as to give confidence and the result is that people have been taken away from industries, and it has not been good for the country.

10206. *Q.* In enumerating the various advantages which you expect from a policy of Protection under 1 (*c*), you say, "it enables a country to avert calamities more effectively in years of scarcity." What do you mean by that?

A. An industrial country is less miserable in times of famine. People become rich on account of industrial development, and they are more capable of buying food grains from abroad, and therefore they avert calamities.

10207. *Q.* That is to say, their resisting power would increase? The purchasing power would increase?

A. Yes.

10208. *Q.* In the advantages which you enumerate if India is made an industrial country, when you mention increased employment of labour, etc., do you refer to unskilled labour?

A. In some industries, skilled labour also.

10209. *Q.* In what directions has India an adequate supply of skilled labour?

A. In the cotton industry India has a supply of skilled labour. Then there are other industries also. I know the cotton industry more than the others.

10210. *Q.* When we are dealing with the industrial development of India, we are dealing with a large number of industries?

A. Yes.

10211. *Q.* Have you got skilled labour in regard to any other industry?

A. Yes, collieries.

10212. *Q.* Are Indian experts available for colliery purposes?

A. Yes.

10213. *Q.* Are they available for any other industry?

A. I am not thinking of others just now.

10214. *Q.* No other skilled labour is available?

A. Skilled labour might have to be imported. By skilled labour, I mean the superior staff, and then people will be trained here. Then commercial and technical education should be imparted in the country, and it will not be difficult for people to be trained.

10215. *Q.* You say, "Even England, the greatest importer of raw materials and exporter of manufactured products, which combination would most profit by a system of Free Trade, has extensively adopted a policy of Protection." Will you please tell us how England has extensively adopted a policy of Protection?

A. Firstly, England built her own industries under a policy of Protection. You will remember that when India was exporting cotton goods to England when cotton manufacture had not started in England, at one time a law was even passed that buying such goods was a criminal offence, and people were sent to gaol for wearing such goods. Similarly, in the case of other industries, England adopted a policy of Protection and under a system of Protection England built up her industries. When she built up her

industries she began to import raw materials and export manufactured products. That is a thing which prospers most, under a system of Free Trade. Before the war Germany almost monopolised the dye industries under a policy of Protection, and during the war England had some dye factories. As soon as the war was over, a special Act was passed imposing duties on the import of dyes, and similarly the Safeguarding of Industries Act has been passed; and whenever it is found that dumping or any such thing is being done, England is quite prepared to extend Protection to her industries.

10216. *Q.* You quote this one Act passed by Parliament as representing extensive adoption of a policy of Protection?

A. That is explained more clearly in the statement of the Marwari Association on page 1.

10217. *Q.* Then in answer to Question No. 2, you say that "direct taxation, furthermore, acts as a deterrent to the development of industries." Will you please explain how that is so?

A. It acts as a deterrent in this way. Income-tax has got to be paid by factories. If the income-tax is raised, then the margin of profit to the shareholders becomes less. As soon as income-tax is raised, people become very shy to invest money in industries. If income-tax is reduced, then the price of shares goes up and people are more anxious to invest their money in industries. If import duty is imposed and the price of goods goes up, although the materials on which import duty is levied are used as raw materials for industries, the industrialist knows how much import duty has been paid. He makes a profit over and above the cost. Assuming that there is no income-tax the whole of that profit is distributed among the shareholders. When the share holders know how much they are making they will be more easily inclined to invest their money in industries, whereas a large amount of income-tax acts as a deterrent. Comparing two places, in one of which there is income-tax and in the other no income-tax, a man would be more anxious to invest his money where there is no income-tax rather than at a place where there is income-tax.

10218. *Q.* What you mean is that income-tax should be a fixed and constant quantity instead of a fluctuating one. Is that it?

A. It is very difficult to say.

10219. *Q.* You mean it should not be very large?

A. No. I simply made a comparison between direct taxation and indirect taxation. Direct taxation is very unpopular in this country. Also, you will find that in the case of direct taxation it is only the subjects of British India that have got to pay. If import duties are levied, they would be paid on all goods, irrespective of whether they are consumed in British India or outside in the Indian States. The subjects of Indian States will also pay. Then there are the collection expenses. India is such a vast country that the collection expenses of direct taxation would be much more than the collection expenses of indirect taxation. The ports are few in number and the staff to be kept for collecting import duties would be much less than the staff to be kept for collecting taxation from income-tax. Again, in India it is a matter of common knowledge that all the money payable by way of direct taxation is never paid. It is very difficult of realisation. Apart from its unpopularity and expenses of collection, the whole amount can never be realised, whereas in the case of indirect taxation, there can be no difficulty in realising the whole amount.

10220. *Q.* There will be no smuggling?

A. I do not think so. It is a very unimportant factor which can be very easily ignored.

10221. *Q.* In answer to Question No. 3 you say, "while the duty on sugar should be increased, the import of sugar mill machinery should be allowed free of duty. In regard to jute products, India having a monopoly of the raw material and specially in view of the recent attitude of the United States, it is desirable that the duty on the raw material should be increased while the export duty on the manufactured products should be considerably reduced." The United States are contemplating a heavy duty on the manufactured jute and importing raw jute free in order to develop the jute industry within their own territories, and you think that that industry requires to be protected against such a policy. Is that what you mean?

A. Yes. Further for example, in Delhi when cotton mill machinery used to be imported free, no octroi duty was paid at Delhi. As soon as the import duty on machinery was imposed, automatically an octroi duty of 5 annas per maund was imposed on cotton mill machinery at Delhi by the Municipality, so that it is not only the import duty that has got to be paid, but also the octroi duty.

10222. *Q.* In answer to Questions Nos. 4 and 5 you say that you do not consider that the tariff should continue to be based on existing principles. It has in the past been greatly influenced by British interests, and specially those of Manchester. Will you please elaborate that point a little further?

A. The recent agitation carried on by Lancashire must have made it clear to you. In the interests of India, I think there can be no doubt that a policy of Protection is necessary. Free Trade is not good for India. It is in the interests of Manchester, in order that her goods might be consumed in India, that Free Trade has been carried on in India. That being the policy India has had to follow a policy of Free Trade, and the existing tariff has been framed with that end in view. Recently when the import duty was raised from 7½ per cent. to 11 per cent., all Government officers including the Secretary of State said that this increase was simply due to revenue reasons. They had not the courage to say that India demands and needs it and therefore it was levied for protective purposes. It is true, of course, that it was levied for revenue purposes. That shows how the Indian tariff system has been influenced by the interests of Manchester, and that creates great diffidence in the minds of capitalists and persons who like to go into industries.

10223. *Q.* You know that the Secretary of State and the Government of India could say nothing beyond that, because the Government of India and the Secretary of State had adopted a policy of Free Trade for India, and that being the present policy, they could not say anything else in regard to the regulation of the tariff?

A. The Government of India and the Secretary of State had to justify the existence of the duty on the ground of revenue. Otherwise, if it had been for protective purposes in order to encourage the growth of Indian industries, Manchester would have objected and they could not have levied that duty.

10224. *Q.* How could they object? If India adopted a policy of Protection then India would be free to regulate its tariff on protective principles. This Commission has been appointed to investigate the whole matter as to what is best in the interests of India, Free Trade or Protection, and that is why we are making this enquiry. Until the policy of the Government of India is changed, if it is changed, they must justify the import duty on revenue grounds and on no other?

A. Let us hope that we will come to that stage.

10225. *Q.* You then say "We have known of instances in which while coal has been allowed to be exported, indigenous industries have suffered for want of it." Will you please explain what you mean by that?

A. Last year the cotton and ginning presses could not run for want of coal, whereas coal was exported.

10226. *Q.* Exported to what country?

A. To other countries. I do not remember the names of the countries just now.

10227. *Q.* Outside India?

A. Yes. Many of the cotton and ginning presses had to be closed. We have received complaints from various ginning presses that having no coal they could not run their ginning presses. That is the condition.

10228. *Q.* Why do you hold Government responsible for this state of things? Is it not due to a natural direction of trade?

A. It cannot be the natural direction of trade. Government was controlling the supply of wagons. Government could have seen that Indian industries had a greater claim upon their national fuel than people outside India. Without this national fuel no factory, no industry can go on in India. While coal was being exported, industries here had to suffer. Export of coal means living on capital. Once it goes out it goes for ever. There is not an inexhaustible supply of coal and it is desirable that this material which we have got should be retained for as long a time as possible in order that Indian industries might thrive.

10229. *Q.* Then your complaint is that the policy of control adopted by Government was used for the purpose of export in preference to the industries in India?

A. Yes, in many cases.

10230. *Q.* Can you give some instances?

A. I have given the instance of cotton and ginning presses.

10231. *Q.* I want instances where this was deliberately done by Government officers under the power which they have got of controlling trade.

A. I do not care whether it was the result of deliberation or negligence. But that was the result.

10232. *Q.* We have had some evidence on the subject of Indian shipping, and I should like to ask one or two questions about it. You say that your Association would suggest that, to start with, a discrimination should be made in the levying of port dues for coastal traffic between Indian shipping and foreign shipping, so as to encourage the former. Your idea is that the same lines should be adopted by way of subsidies, etc., as have been done by countries like the United States, Germany, Holland, Italy, etc. Will you please state what you mean and what these countries have done?

A. I find that the traffic between Calcutta and Rangoon is the monopoly of the British India Steam Navigation Company. It is absolutely impossible for a new Indian company to compete with that Company. If Indian shipping is to grow up, it must get help in the way of subsidies, etc., discrimination in the case of port dues, etc. Further, it should have the right to carry mails, etc., of Government, in order that it might grow up. The coasting trade was reserved for a long time to national steamers by the United States, Italy, Austria-Hungary, Spain and Belgium. Since 1910 Japan also reserved the coasting trade to its own steamers. England, Germany, the Netherlands and Belgium have exempted ship building materials from import duties. These are matters which should be carefully enquired into, and I think that in the interests of India, it is necessary that she should have her own shipping. We have to pay freight and insurance. Also, we have to pay for imported materials to build our ships. It is desirable in the interests of the country that Indian shipping should be developed.

10233. *Q.* But Government cannot give contracts to Companies in embryo. They must have some Companies which can reasonably compete?

A. But Companies can be brought into existence. For example, in the case of Railway lines, Government guarantees interest. A similar thing could be done in the case of shipping.

10234. *Q.* Do you think that shipping is as important to the country as Railways?

A. Certainly.

10235. *Q.* I should like you to develop a little what the United States, Germany and Japan have actually done. Have they by any law restricted their coastal trade to their national shipping?

A. I have already mentioned that.

10236. *Q.* By law, I mean.

A. Yes.

10237. *Q.* They would not allow cheaper freights of foreign shipping to compete with their national shipping?

A. That is so.

10238. *Q.* In answer to Questions Nos. 11 and 12 you mention industries which you would select for Protection. I should particularly like you to develop the reason why you want further Protection for piece-goods and yarn. Is not that industry doing very well now?

A. It is not doing very well now. It has passed the infant stage. I must admit that. I would ask you to refer to the Marwari Association's answer on the point. We have there given the reasons why the cotton mills have appeared to be very prosperous. It is stated there that the industry is not yet fully developed. The profits made during the last few years were (*a*) largely due (1) to the curtailment of production in England during and after the war on account of war employment and labour troubles and also (2) the consequent high prices and also (*b*) partly due to political agitation for the boycott of foreign goods. These reasons for a boom cannot but be temporary and signs of a relapse are already visible. There is still much uphill work to be done for the proper organisation and equipment of the industry. India has to rely on foreign countries for the supply of machinery and machinery parts and to a large extent stores also. Labour is still inefficient and therefore India finds it difficult to compete with Japan. The majority of the Indian mills are still too small to stand foreign competition and have not got substantial reserves. They, and specially the new mills, do not get the required amount of financial support from the Banks, as also from the public in the absence of any safeguards on the port of the State for Protection from foreign competition. Arrangements have still to be made for the spinning and weaving of an adequate quantity of finer counts and fancy goods—a condition which is necessary for the permanent stability of the industry on general economic grounds. Again, you will find from our answer to Question No. 45 that India has got the resources not only to supply the full internal requirements of India but also to export goods. The necessity of the Indian mills for national security was amply proved during the war.

10239. *Q.* Then your ambition is that India should become self-contained in the matter of supplies of clothing?

A. Yes.

10240. *Q.* You think the industry requires Protection in order to reach that goal?

A. Yes.

10241. *Q.* Do you think that it is desirable that the consumer should be made to pay higher prices to establish that industry on an extensive scale?

A. I do not agree with you that the consumer would have to pay higher prices for long periods.

10242. *Q.* Long or short is not the question. The consumer will have to pay higher prices during the period while the industry develops sufficiently to supply the needs of the whole of India?

A. We are of opinion that even if it causes a rise in price, there should be Protection. Please see answer to Questions, Nos. 21 and 22 by the Marwari Association.

10243. *Q.* Are there any special reasons why you have selected all these articles?

A. They are necessaries of life, materials for the advancement of the country and articles in respect of which India has already made some progress. Therefore, we have selected them.

10244. *Q.* In answer to Question No. 18 you say "But at the same time the conditions of the country has already reached a position when it is desirable to avoid further investment of foreign capital." This may mean the slowing of the place of industrial advancement. Do you accept the position that import duties imposed for protective purposes will raise the price to the consumer?

A. In some cases temporarily.

10245. *Q.* Protection, if it does not raise the price to the consumer, would be of no value in the industrial development of the country. You want to raise the price in order to enable the local manufacturers to successfully compete with foreign goods imported. That is the object of Protection, and therefore the price to the consumer must be raised?

A. Temporarily, until the industries are fully developed.

10246. *Q.* To keep out foreign enterprise you agree to the development of industries on a slower scale. But slower scale would mean longer duration, and the consumers would have to pay for it?

A. I am afraid we are forgetting the difference between development and exploitation of mineral resources. The question of foreign capital comes in here. It has got to be analysed in two ways. One is the development of industries and the other is the exploitation of our sources. If foreign firms are allowed to take up mines here and allowed to take away all the minerals, that is not, in some cases, desirable in the interests of the country. There are some industries about which we have recommended that the permanent organisation which would be formed should have the liberty to allow the investment of foreign capital. We have made one qualification there that at least 75 per cent. of the capital should be furnished by Indians. I find in the case of jute mills that, although 60 per cent. of the capital belongs to India, the managing agents of jute mills do not deal through Indians.

10247. *Q.* What we are dealing with is the point that if the result of the exclusion of foreign enterprise was to prolong the period of industrial development, it would mean that the consumers will be penalised for such a long period. Are you prepared to accept that position?

A. Not indiscriminately. What we want is an adequate check on it. We have made a qualification to this effect in the answer itself.

10248. *Q.* You say that further investments of foreign capital should be curtailed as much as possible so as not to increase the burden of interest on foreign investments. Then you end by saying that the permission referred to should be granted with the greatest care and caution and should be restricted to such industries only as may be found to be very urgent or helpful to other industries established in the country. Please tell me whether you will agree that the consumer should pay more for a longer period owing to retarding the general progress of industrial development by keeping foreign enterprise out. If the progress is slow, the period of development will be longer. Would it not be?

A. As regards minerals, the consumer will have to pay nothing additional.

10249. *Q.* We are dealing with industrial development for the purpose of getting finished goods.

A. For some time the consumer has got to pay more. But if you have too much of foreign capital, the result will be that India as a whole will have to pay out the profits to other countries.

10250. *Q.* Quite true. Then you would be prepared to pay higher prices for longer periods in order to keep foreign enterprise out?

A. Yes. That is my position.

10251. *Q.* In answer to Question No. 26 you say "The United States are contemplating the levying of an import duty on jute manufactures with a view to import more jute and manufacture hessians themselves.". Would you object to that?

A. Yes.

10252. *Q.* Would you ask that Government should take adequate steps to protect the jute industry in India?

A. Yes.

10253. *Q.* In answer to Question No. 32 you say "It is an admitted fact that the food production of India is wholly insufficient for the normal requirements of her population." Have you expressed this opinion on any definite data or as a general proposition, on the grounds which you indicate in your reply? Have you any statistical information to show what the total production of foodstuffs in India is and what the requirements of the population are?

A. We have shown in answer to Question No. 33 in the Marwari Association's evidence that while India really requires about 9 crores tons of food grains per year for consumption, she produces in a normal year only 5 crores tons. These figures the Marwari Association sent to the Government of India, and they have not been able to challenge the correctness of this.

10254. *Q.* Your view is that India produces less quantity of foodstuffs than she needs for the consumption of the people?

A. Yes.

10255. *Q.* Even in normal years?

A. Yes.

10256. *Q.* Then you would prohibit their export absolutely?

A. Yes, by export duties.

10257. *Q.* Coming to Imperial Preference, the second reason that you give in your answer for opposing it is the behaviour of the European merchants and banks, specially in Calcutta. You say, "It is notorious that the Banks give undue preference to European merchants and companies under European management to the exclusion of Indians. By reason of such financial assistance, as also by reason of the fact that buyers and sellers in the United Kingdom and other parts of the British Dominions give undue preference to exporting and importing European firms in this country, Indian merchants have been very much handicapped in the race. Furthermore, for example, although Indians hold not less than 60 per cent. of the shares in the jute mills, the European managing agents thereof do not buy jute through Indian brokers, but do so through European brokers even on payment of, say, 8 annas more per maund. At the time of selling most managing agents refuse to sell the finished products again to even those Indians with whom they do not consider it risky in dealing in the course of their other businesses, including the business in jute products. The European merchants and shippers are thus bounty-fed and so long as this condition does not disappear, it is impossible to consider the question of Imperial Preference." I should like you to tell the Commission something more definite on this point, instead of merely criticising. Can you prove that European managing agents, who are trustees for the shareholders, pay higher prices for the raw product if they get it through European brokers, and that they will not buy from Indian brokers even at 8 annas less a maund simply because of racial considerations?

A. Yes. It is happening every day. It is not a new thing.

10258. *Q.* Can you prove it?

A. Yes.

10259. *Q.* European Banks won't lend you money on the same terms as they lend to European firms?

A. No. They give them preference.

10260. *Q.* They give them undue preference? You use the word "undue."

A. It becomes undue.

10261. *Q.* You say that is the opinion of the Marwari Association?

A. Yes. I will give you one example. At the time of selling the finished product it happened that an Indian firm wanted to buy half a lakh yards of hessian. They said, "Take cash money. Shipping instructions are also forwarded." Still the commodity was not sold to the Indian firm. What else would you think it to be? There was cash money. There was no risk in dealing, Delivery order was wanted with shipping instructions. Whether it is racial or not, the world will consider it to be racial.

10262. *Q.* I now deal with the answers under head C.—Manufactures. You say that your goal is to develop the Indian cotton industry to such an extent that you will be able to export very largely to other countries?

A. Yes.

10263. *Q.* Do you think that you will be able to compete successfully in the matter of prices in other markets with Lancashire and Japan?

A. I should think so, because when we develop our industries, we should be able to compete with Japan. Japan does not grow her cotton: she imports cotton from here and manufactures it. In the case of India, she grows her own cotton.

10264. *Q.* At present Japan is able to compete with local mills in the Indian markets; therefore, she will be able all the more successfully to compete with the Indian millowners in neutral markets. Do you think that the industry will develop in India to such an extent that we can compete with Japan in the neutral markets?

A. I have no doubt about that.

10265. *Q.* Then, in answer to Question No. 55, dealing with the cotton industry, you say that you consider that a remedy is required and suggest that if the exchange depreciates by more than 10 per cent. of the standard rate (taking Rs. 15 to £1) the excess of such depreciation should be charged in the shape of a super duty. The super duty, you say, may from time to time be fixed by resolution of the permanent organisation. The organisation you have defined in answer to Question No. 29. Will you please explain what you mean and clearly indicate how you would fix upon a standard for super duty?

A. Unless some such thing is done, the effect of Protection would disappear. When exchange went up from 1*s.* 4*d.* to about 2*s.* 10*d.*, then there was a large development of orders to England and goods came here at a cheap price. The prices became half, and the Indian mills could never sell at that price. Over here they had to buy cotton in rupees and sell piece-goods in rupees, but when they imported piece-goods from abroad, then they paid in sterling at the rate of Rs. 7 or Rs. 8 to the pound. Unless some such duty is imposed therefore, whatever protective duty you might impose, if exchange depreciates in other countries, then there would be such an inflow of goods that it would be a death-blow to the industries here.

10266. *Q.* That is to say, you want Protection not only in regard to actual cost of production, but as regards the probable exchange fluctuations in other countries?

A. Yes.

10267. *Q.* Do you think it is a matter of practical politics?

A. I think so.

10268. *Sir Maneckjee Dadabhoy:*—Mr. Khaitan, you have been nominated on the Legislative Council?

A. Yes.

10269. *Q.* I understand that you are an attorney of the High Court.

A. I was for some time.

10270. *Q.* How long have you been connected with commerce?

A. Ever since my birth, I might say.

10271. *Q.* How long have you been practically interested in commerce?

A. I have been taking practical interest for the last 17 years.

10272. *Q.* I shall just take you over a few questions asked by the President and your replies. In talking about the cotton industry you stated that there was legislation passed in England which authorised criminal prosecutions for wearing foreign cloth. What is that legislation? When was it passed?

A. I have read of it in books. I do not remember the year. I was not in England and was not prosecuted under it.

10273. *Q.* Then you have said something about the export duty on coal,—that in 1920 coal was scarce and Government allowed free exports of coal.

A. I do not say "free." Government exercised control over the supply of wagons for the carriage of coal and coal was allowed to be exported while some industries in India had to close down for want of it.

10274. *Q.* What period are you referring to?

A. Last season, 1920-21.

10275. *Q.* Well, in 1920-21 the export of coal was prohibited by Government, to my knowledge.

A. Not absolutely.

10276. *Q.* I was sitting on a Committee myself, and we were required to enquire into that matter and we fully went into the question; so I cannot follow you when you say that coal was exported when industries were dying here for want of coal.

A. Last season it was not totally prohibited.

10277. *Q.* Then, I could not understand your remarks also about the coal wealth of India. You say there is not sufficent coal in the country and the mineral resources of the country cannot be allowed to be exploited by foreigners?

A. Do you think that the mineral resources are inexhaustible, or are they exhaustible?

10278. *Q.* I am interested in the coal industry and from my study, I am almost certain that there is enough coal in India to last for another 200 years, but there is no means of raising it.

A. That is your limit.

10279. *Q.* I mean discovered coal; meanwhile, other areas may be discovered?

A. We cannot talk of what might come into existence: We differ only in the number of years, but you also agree with me that it will be exhausted.

10280. *Q.* I agree with you, but we are talking of practical politics: we are not providing for three centuries hence.

A. Why not? I think our descendants will remain in India three centuries hence.

10281. *Q.* Then you made some remarks about shipping, and I want you to develop your remarks a little. Am I to understand that the coastal trade is partly in the hands of foreigners?

A. What I mean is that Indian capital is not in it, and for the interests of India, it is necessary that at least the coastal trade should be in the hands of Indians.

10282. *Q.* I am talking of foreigners and not of the British people. I am talking of the Japanese.

A. I am talking of Indians and non-Indians.

10283. *Q.* Then you say, "We have not got any facilities?"

A. Yes.

10284. *Q.* What sort of facilities could possibly be given?

A. Many kinds of facilities can be given. You must have studied the history of other countries. Wherever shipping has developed it has done so under State aid.

10285. *Q.* But the history of other countries also tells us that there should be at first a preliminary start by private companies. Only at a particular stage of development does Government come in.

A. I do not agree with you. Furthermore, you will find that when shipping in other countries started, they all started with a clean slate. But now India has got to compete with other countries which are fully developed and therefore India all the more needs State aid to develop her shipping.

10286. *Q.* But would you ask the State to start shipping?

A. I would say that the State should help by law, by discrimination in the levy of port dues, by lending money, by giving contract for mails to Indian-owned steamers, and helps like that.

10287. *Q.* How many Indian companies are there at present?

A. Indian companies cannot come into existence unless helps like that are promised.

10288. *Q.* You want some preliminary promise of assistance?

A. Yes.

10289. *Q.* Now, as regards the textile industry, in answer to the President you have stated that you want further Protection for the textile industry. Your Association also has given us their statement and I have read that statement, but you do not indicate the lines on which further Protection ought to be given.

A. We want import duties on piece-goods and yarn, and no duties on machinery and no excise duty.

10290. *Q.* Do you think that this 2½ per cent. duty on machinery seriously affects the industry?

A. It does and I have given you one example. Formerly, machinery used to be imported without any duty whatsoever, and as soon as the 2½ per cent. duty was imposed, at Delhi an octroi duty was imposed. Why should such duties exist at all? We have to develop our industries, and we cannot make the machinery here, our ideal being to develop our industries. I do not see why there should be a duty on machinery.

10291. *Q.* There is an import duty on cotton piece-goods at present. Do you want to raise it?

A. Yes.

10292. *Q.* And what is your estimate?

A. 20 per cent.

10293. *Q.* Is that the idea of your Association?

A. No, it is my personal opinion. We are not agreed on that. Some want 15 per cent. and some 20 per cent.

10294. *Q.* Then you say you want import duties on yarn. Is it on higher counts or coarser counts?

A. This too is my personal view. We are not agreed about that in our Association. Some were of opinion that only yarn up to 40 counts ought to pay duty, but some were of opinion that there should be a duty on all kinds of yarn and I was one of those who thought that there should be a duty on all yarn, the idea being: if England can import cotton from Egypt and spin fine yarn and then export it to other countries and India, there is no reason why India herself should not be able to import cotton from Egypt, mix it with Indian cotton and spin fine yarn.

10295. *Q.* How will the duty on yarn affect the handloom industries?

A. When India spins fine yarn the handloom industries can buy from Indian mills.

10296. *Q.* Do you think that the climatic conditions of India will permit it?

A. Yes. India used to spin all kinds of yarn and fine yarn too. The Dacca muslins were known throughout the whole world. Even now from Bengal cotton you can spin by hand up to 100 counts.

10297. *Q.* I am aware of that, but is it not the fact that the cotton seed has deteriorated and you cannot now produce that staple of cotton which you used to produce before?

A. The cotton we have now got is better than what we had before. Hinganghat, Punjab, Sind America, Broach and Tinnevelly cottons are all better cottons.

10298. *Q.* What counts can you spin from Tinnevelly and Southern India cotton?

A. We can go up to 80.

10299. *Q.* Is it your practical experience? My information is otherwise.

A. In the Keshoram Cotton Mills they spin up to 80 counts. They do not get Tinnevelly cotton, but they get it from Broach. I do not know if they mix it with American cotton.

10300. *Q.* Then I understood you to say that foreigners should not be allowed to exploit our mineral resources, because that means the taking away of our mineral wealth?

A. Yes.

10301. *Q.* Can you get capital in India for investing in mines?

A. Yes.

10302. *Q.* What has prevented Indians, then, from investing in them?

A. I have told you that the absence of these protective duties and Government assistance has disheartened the Indians. If you will only take your mind back to 1919 when there was a boom, you will realise the truth of my statement. Companies were floated and they were subscribed four times over. When the War Loan was floated there was no difficulty in getting the money. There is capital in India, but confidence is lacking. As soon as there is confidence, you will get the capital.

10303. *Q.* In your opinion it is the Railway policy which retards the development of industries?

A. Yes, to a great extent.

10304. *Q.* And our first step should be the improvement of the Railway policy. Is that what you mean?

A. Protection and improvement of the Railway policy.

10305. *Q.* Now, you said that Governmant should take steps for the protection of the jute industry. What steps would you recommend that Government should take?

A. Increase in the export duty on raw jute and reduction of export duty in the case of manufactured jute.

10306. *Q.* Why do you recommend a reduction of duty on the export of manufactured jute?

A. Because America is contemplating an import duty on hessians. If they do that and the export duty is not educed here, the result would be that America will import our raw jute from here and manufacture hessians herself. If the American market disappears then the jute mills here will have a very bad time of it.

10307. *Q.* You propose, then, this reduction of export duty as a retaliatory measure. If no duty is put on by America, then would you like to maintain the *status quo?*

A. If the foreign countries do not impose duties on our finished products, then I would maintain the *status quo.*

10308. *Q.* Do you think that if we increase our duty on jute exports, some sort of substitute will be invented by

other countries?. Some countries are said to have resorted to some sort of substitute.

A. I have not heard of any import duty or export duty having furthered scientific knowledge.

10309. *Q.* You think that scientific knowledge would come independently, irrespective of export duties?

A. Yes.

10310. *Q.* Then, I find that your Association favours total prohibition of foodstuffs?

A. Yes.

10311. *Q.* You say, "While India really requires about 9 crores tons of food grains per year for consumption she in fact produces in a normal year only 5 crores tons." Where did you get these figures from?

A. We got the figures of actual production from statistics published. The 9 crores we calculated from municipal figures. The average consumption per man is given as 7 maunds per year. You have to multiply the total population by 7. Then you require some food grains for cattle, some for seed and some for wastage, and you have to add this on to the total. We got the figure like that.

10312. *President:*—*Q.* Your 5 crores is only for British India and not Indian States?

A. No. Indian States also.

10313. *Q.* Also Burma?

A. I think it includes Burma.

10314. *Sir Maneckjee Dadabhoy:*—*Q.* At best you cannot trust these figures?

A. If you cannot trust these figures, you have only to go to the villages where you will find lakhs of people living on one meal a day.

10315. *Q.* Now, you want total prohibition of export of food grains. Will it not depreciate the prices of food grains?

A. Yes: it will cheapen the price.

10316. *Q.* And you think it is conducive to the prosperity of the nation?

A. It is conducive. It will cheapen, but not to a great extent. If you improve your Railway policy at the same time, we do not think there will be any cheapening at all. Now, what happens is this: on account of the high Railway rate charged on food grains moved from one part of India to another, food cannot be conveyed cheaply from one place where there is a surplus to another where there is a deficit. If you correct the Railway policy, goods can be transported from one part of India to another part at a reasonable rate of freight, and prices will not come down because India requires a greater quantity of food grains than she really produces, and therefore when freight rates are reduced, the demand will be greater than the supply. Let us assume, however, for the sake of argument that prices will come down. Then the producer is also a consumer, and to that extent he will not be affected. Then the cost of labour will become less if the price of food is cheaper. Therefore, there is no reason why lands should go out of cultivation. Moreover, land which is suited for a particular kind of crop is not suitable for another kind of crop, and one season which is suitable for a particular kind of crop is not suitable for another kind of crop. Some people have thought that land which is suitable for wheat is suitable for cotton, but the season suited for wheat is not suited for cotton. It is not possible that agriculturists who are accustomed to cultivating one crop will change that crop for another. India really requires more food grains than she produces and her population must be fed.

10317. *Q.* But could not that consummation be reached if prices of food grains are high and agriculturists have a certain amount of saving with which to purchase food grains from other countries in times of famine?

A. But where to purchase the food grains?

10318. *Q.* Australia?

A. Australian wheat is not so good as Indian wheat. But what is the total quanity of Australian wheat imported up to a month ago? It is not more than 80,000 tons.

10319. *Q.* Why did we not import more?

A. Because it was not suitable.

10320. *Sir Montagu Webb:*—*Q.* 400,000 tons is now coming.

A. But even 400,000 tons is nothing as compared to the crores of tons we require.

10321. *Q.* It is being sold in Lahore cheaper than Indian wheat.

A. It is inferior wheat.

10322. *Q.* I do not think so.

Sir Maneckjee Dadabhoy:—*Q.* You are interested in the cotton mill industry. Would you prohibit exports of cloth on the same ground on which you want an export duty on foodstuffs, that is, that it will reduce the price to the consumer?

A. Cloth stands on a different level from food. Food is required by every body.

10323. *Q.* But cloth is also necessary?

A. Yes.

10324. *Q.* Food is necessary and cloth is necessary. Would it not be an injustice to the agriculturist if you put an export duty on his produce?

A. So far as cotton is concerned, you will find that there is enough cotton in India and if that cotton is manufactured, it will not only supply all the needs of India, but it can also be exported. That is not the condition with food grains. Food grains are not enough for the whole of India, whereas cotton is more than sufficient. So they are not exact parallels.

10325. *Q.* Now, about the Banks. You say that the Indian merchants do not get the same financial assistance from the banks.

A. Yes.

10326. *Q.* You say that capital is not lacking in India.

A. Yes.

10327. *Q.* Why have not the Indians gone in more extensively for banking?

A. It is on account of the same diffidence.

10328. *Q.* What diffidence? I should like to have your Association's view on the subject.

A. So far as the transmission of money from one part of India to another is concerned, at present it is being done by Indian shroffs who sometimes call themselves bankers. When I say that Indians do not get assistance from Banks, you put the question, "Why do not Indians combine and form themselves into Banks?" Such Banks cannot help industries because the position of industries is not quite safe. They cannot help Indian importers and exporters because foreign merchants give preference to European merchants here, and therefore the export and import trade cannot go so much into the hands of Indians. The argument swings round in a vicious circle. It all depends on industries. If there is confidence in the industries, you will find also industrial Banks, agricultural Banks, and other Banks growing up. The position of industries must be made absolutely safe for these things to grow up.

10329. *Q.* How is that confidence to be established?

A. People must have the confidence that if at any time their industry is invaded by foreign manufacturers, then the Government of the country will protect them. That is the sort of confidence that is required.

10330. *Q.* Then the panacea for the whole evil is the adoption by the Government of India of the fiscal policy recommended by your Association?

A. Yes.

10331. *Q.* Please see your answer to Question No. 17. You say that you do not think that combination *per se* is bad, and there are occasions on which combination is even good in the interests of the country. Will you illustrate it?

A. Sometimes the want of combination has done much injury to the investors in the jute mills. The production of the jute mills was so great that the consumption of the world was much less than the production of hessians and bags. The duty of the jute mills here would have been to combine at once and curtail production in order to keep up the price. Hessians and sacks are not very largely used in India. The jute mills depended on the foreign markets, and it was in the interests of the shareholders that the prices should be maintained at the original level. There should have been combination, but that combination did not come. The spasmodic efforts that were made were not sufficient to produce confidence in the market and prices have remained dull and the shareholders have lost a good deal over it.

10332. *Q.* In answer to Question No. 18 you say, "But at the same time the condition of the country has already reached a position when it is desirable to avoid further investment of foreign capital." To make the policy which you have stated successful, I understand you would want more Railways in the country?

A. Not under the present policy.

10333. *Q.* You do not want more Railways?

A. Not on this policy.

10334. *Q.* I am not going into that controversial question.

A. But it has come in.

10335. *Q.* You would want Railways for the purpose of moving about your goods freely and promoting trade and commerce and the other things which your Association have supported?

A. Not in the present way. The present is a very bad one. We do not want extension of Railways on the present policy. If the Railways are made to exist for others' interests, then we don't want more Railways. If the coun-

try is to exist for the Railways then we don't want the railways.

10336. *Q.* That is your view?

A. Yes.

10337. *Q.* If the present policy of the Railways is changed, then you don't object to foreign capital coming in?

A. Changed in what way?

10338. *Q.* Changed in the way suggested by your Association.

A. Then we want more Railways.

10339. *Q.* You want more irrigation works?

A. Yes.

10340. *Q.* You want more industries?

A. Yes.

10341. *Q.* Then you will admit that you cannot do without a fair measure of foreign capital as well.

A. Not to the extent that you seem to contemplate.

10342. *Q.* I want to learn from you.

A. I think that if you simply strengthen the hands of the industrialists, there will be enough capital in India. It is not lacking in the country. We have already got to pay over 50 crores of rupees every year as interest on foreign investments and services rendered in the shape of shipping, insurance, etc. Unless it is absolutely necessary to bring in foreign capital to develop certain industries which are found to be very urgent or helpful to other industries, I would not have further addition of foreign capital. The 50 crores of rupees that we have to pay every year on foreign investments and other things is certainly a very large amount.

10343. *Q.* At the end of your answer to Question No. 18 you say that no firm or company should be allowed to establish itself in the country at least 75 per cent. of whose capital is not furnished by Indians. Is Government control of the financial arrangements of private companies desirable?

A. In this case, yes. You know that in Japan mines are not allowed to be vested in the hands of foreigners. The mines must be owned by the Japanese. Similarly in other countries also, and there is no reason why some such control cannot be exercised and should not be exercised in India.

10344. *Q.* Then you want the natural resources to be reserved for the people of the country. Is that so?

A. Yes, as far as possible.

10345. *Q.* You want them to be closed up against foreigners?

A. I do not mean to say that what has already been acquired by foreigners should be taken away from them.

10346. *Q.* You mean that foreigners should not be allowed to take up new ventures?

A. Unless 75 per cent. of the capital is furnished by Indians.

10347. *Q.* What do you mean by "foreigners?"

A. I mean non-Indians.

10348. *Q.* Do you think it possible in the present state of our constitution and our partnership with the British Empire?

A. First make us equals, then we will consider the partnership.

10349. *Mr. Mant:*—*Q.* Mr. Khaitan, can you tell me whom the National Liberal League represents?

A. The Moderate party.

10350. *Q.* It is a political league?

A. Yes, it is a political league.

10351. *Q.* It represents a political party?

A. There are merchants as members. Sir Rajendra Nath Mukerji is the Vice-President.

10352. *Q.* Has it any particular connection with the Marwari Association? I ask you that because the views of the League and the Association are identical.

A. There were some common members of the two sub-committees. In fact I can say that all mercantile associations will present almost identical views.

10353. *Q.* But I understand that they represent quite different interests?

A. Yes.

10354. *Q.* Are there agriculturists on this Association?

A. Yes. There are agriculturists in the sense that they look after the interests of the agriculturists. For example, Sir Surendranath Banerjee is a member.

10355. *President:*—*Q.* What Mr. Mant wants to know is whether there are Zemindars on the Association.

A. Yes. But agriculturists themselves are not members.

10356. *Mr. Mant:*—*Q.* As regards England penalising the wearing of foreign cloth, can you name one of the books from which you have read it?

A. I think you will find it in Ormerod on wool and perhaps, Pandit Madan Mohan Malaviya's minute of dissent to the Report of the Industrial Commission. But I am not sure about the latter.

10357. *Q.* I gather from your reply to Question No. 3 that you want machinery to be brought in free of duty?

A. Yes.

10358. *Q.* Are not people making attempts to manufacture machinery in this country?

A. If they succeed in making machinery, I would ask for Protection for them also.

10359. *Q.* Don't you think that it is an industry which ought to be encouraged?

A. Take the case of cotton. It is more essential at the present time that cotton should be manufactured in the country itself by means of imported machinery than that a set-back should be given to the manufacture of cotton, A beginning might be made when it is suitable. If it is found that a sufficient number of firms are established for the manufacture of machinery and if they can supply the requirements of Indian industries, then there is no harm in giving Protection for them also. But to start with I would not jeopardise the textile industries to help machinery.

10360. *Q.* Representatives of the iron and steel trade the other day said that theirs was the most important trade and that we should start protecting steel first.

A. I do not agree with them. I have not come here to justify them. You have got to consider where the balance of advantage lies to serve the best interests of the country as a whole.

10361. *Q.* You want the development of the textiles industries before you develop machinery?

A. Yes.

10362. *Q.* In your answer to Question No. 18 you give the figure of Balance Net Export transactions. I take it that this is the excess of exports over imports after allowing for Council Bills and all forms of exports?

A. Yes.

10363. *Q.* You say that for the five years from 1915-16 to 1919-20 India had to pay 4,931 lakhs per year in Balance Net Export transactions. I do not quite follow your argument there. I would like you to elucidate it.

A. These represent exports after deducting all imports and other things. These exports go to meet the debts of India. Otherwise there would have been imports against them. A country cannot go on exporting without receiving anything in return.

10364. *Q.* But India did not go on exporting at this rate for a number of years?

A. I have given figures for ten years.

10365. *Q.* The figures are quite small in the first five years?

A. It went on increasing because the debts went on increasing.

10366. *Q.* You say they represent the increase of the debts. In the first 5-year period it was 464 lakhs?

A. Council Bills and Balance Net Export transactions have got to be taken together. I will give you actual figures for each year.

10367. *Q.* I would rather take your five-yearly averages. Do you mean to tell me that the debts of India were so much more in the latter five years?

A. You are perhaps, forgetting the fact that India contributed 150 crores of rupees towards the war. That was during that time. So that figure has come in here.

10368. *Q.* After allowing for that contribution of 150 crores do you say that the debts have increased by the amount of the net exports?

A. The debts increased by that amount. There were other investments also. American and Japanese and other firms came here and the interests and profits of those have got to be paid.

10369. *Q.* I am only asking you whether you maintain that the debts of India increased to the extent shown by these figures in those five years. Do you mean that?

A. Yes. Otherwise it cannot be explained.

10370. *Q.* That is what I want to ask you. Can't it be explained by a temporary transfer of capital from India to London? The credits of India in London very largely increased during the war period. The large sales of Reverse Councils were met from the money that was piled up in London during that period.

A. We have made allowances for all that already. We proceed not on the basis of 82 crores, but on the basis of 50 crores.

10371. *Q.* I still feel a little suspicious of your figures.

A. They were obtained from the Report of Operations of the Currency Department published by Government. If that is mistaken, I do not know what to say.

10372. *Q.* Does this report state that the Balance Nett Export transactions increased on account of India's debts.

That is your inference. It is your inference that I am questioning, not your figures.

A. If these exports had not been against other liabilities of India, there would have been some imports. These exports are against invisible imports. These consist of home charges, freight, insurance and interest on foreign investments. You will find from the book of Dr. Rushbrook Williams that of the invisible imports the largest percentage is that of interest on foreign investments. I do not know whether you are prepared to accept the dictum of Dr. Rushbrook Williams on that point.

10373. *Q.* I am afraid I have not read it. But, surely, it is obvious that there may have been a temporary transfer of credits from India to London. That is the point that you will not admit.

A. Transfer of credits could be only temporary.

10374. *Q.* Your figures are only for five years.

A. I have given you figures for 10 years.

10375. *Q.* 4,64 lakhs Balance Nett Export transactions is comparatively a small figure.

A. Excuse me. You are omitting 32,55 lakhs Council Bills.

10376. *Sir Montagu Webb.*—*Q.* 35 millions sterling were remitted in the opposite direction to India.

A. The average of Council Bills during those five years is 32,71 lakhs. After deduction for that in 1920-21 Council Bills, there is still a figure of minus 28,55 lakhs here.

10377. *Mr. Mant:*—*Q.* I think we had better turn to another subject. In answer to Question No. 31 by the National Liberal League you say that export duties would not practically prevent production, because, generally speaking, the agriculturists would continue to carry on their occupation and particular land and seasons suitable for a particular kind of crop could not be easily utilised for a different crop for which the land is not suitable. But we have heard a different account from agricultural associations and people engaged in agriculture.

A. I can only say that I do not agree with them.

10378. *Q.* In your answer to Question No. 33 you estimate the food requirements of India to be 9 crores tons. Did you work out the figures yourself?

A. We worked out the figure ourselves.

10379. *Q.* They are your own figures?

A. Yes. Others also have worked them. Mr. K. C. Neogy, a member of the Legislative Assembly, has worked out the figures.

10380. *Q.* Can you let us have a statement showing how you worked out the figures.

A. I have already given the principle on which they are worked out. You multiply the number of persons by 7 maunds per year.

10381. *Q.* Why do you take 7 maunds?

A. That is the municipal figure. 7 maunds are taken to be the average consumption per man per year.

10382. *Q.* Where did you get it from?

A. I have heard from persons who have worked in municipalities that they take that to be the average consumption per man per year.

10383. *Q.* Is it based on any statistics?

A. For example, in prisons they allow 14 chataks per day.

10384. *Q.* People are rather better fed in prisons?

A. I do not think prisoners are better fed. Prisoners are given 14 chataks per head per day.

10385. *Q.* I don't want to take up more time on this point. If you put in a statement showing figures.....

A. This is how I have calculated.

10386. *Q.* I want to know whether your calculation is worth anything. There is no use telling me that some municipal authority told you that 7 maunds is the average consumption per man per year. Have you got statistics to prove that?

A. This is the way in which we have got the figures. We sent the figures to the Government of India and they have not challenged them.

10387. *Q.* They probably don't think it worth while. They have not got the time to challenge all sorts of irresponsible statements. Then you go on to say, "This is the reason for lakhs of people starving every year, millions of people living on one meal a day and crores of people living on things like *marh*." Do you mean to say that lakhs of people die of starvation every year?

A. Yes.

10388. *Q.* Is it so much as that? I should like authority for the statement that lakhs of people die every year of starvation.

A. How many people died of influenza for want of food?

10389. *Q.* I am afraid I cannot answer that question. Can you tell me?

A. Perhaps, about 50 lakhs of people in one year.

10390. *Q.* How many people who had plenty of food died of influenza?

A. From the reports you will find that people who were well-to-do and who could get good food to eat, could resist the disease more than the people who were not well-to-do and had not good food to eat. If you go to any mofussil village, you will find people not getting enough food and living on one meal a day. You will find that statement in R. C. Dutt's book.

10391. *Q.* Lakhs of people die every year, you say. The influenza occurred only once?

A. That I gave only as an example. You will find that statement in R. C. Dutt's book and perhaps in Mr. Wilson's book also.

10392. *Q.* Which Mr. Wilson?

A. I will send you the reference.

10393. *Q.* The statement that lakhs of people starve every year?

A. Their statement is that millions of people were not getting enough food.

10394. *Q.* That is a very different thing from what you said, "lakhs of people starving every year"?

A. That is Mr. Wilson's statement.

10395. *Q.* Can you name any country in the world where all the people get enough food?

A. There is no food in the country and that is why they do not get enough food. I do not think it is an answer to me to say that people in other parts of the world also starve.

10396. *Q.* If you have not any further authority, I will leave it at that.

10397. *Mr. Birla:*—*Q.* You mentioned something about foreign capital to the President. I understood from what you said that you do not admit that there is any scarcity of capital in this country, and therefore you do not apprehend at all that the progress of industries will be arrested. Am I right?

A. If the people here get enough confidence by reason of the action of Government, then capital would be found to come in.

10398. *Q.* You do not fear that development of industries will be slow and therefore the consumer will have to pay higher prices?

A. I do not fear that.

10399. *Q.* But assuming that there is scarcity of capital for the development of industries in this country, would you not like to have foreign capital on an interest basis?

A. On an interest basis? Yes. That is quite a different thing. But I would not like to have it for mere exploitation.

10400. *Sir Montagu Webb:*—*Q.* What is meant by an interest basis?

A. On fixed interest.

10401. *Mr. Birla:*—*Q.* Would you like to borrow money from capitalists at 6 or 7 per cent. interest?

A. Yes.

10402. *Q.* You said you were afraid of Japanese competition in the cotton industry?

A. Yes.

10403. *Q.* At the same time you also contemplate making large exports of cotton manufacture from this country?

A. Yes.

10404. *Q.* When you have to export a large quantity of piecegoods manufactured in this country, how would you avoid Japanese competition in the countries to which you wish to export?

A. Firstly, if we manufacture our own cotton, Japan will not get that cotton, and therefore Japan will be at a disadvantage. Secondly, when industries grow in this country, people here will become more skilled and India will be able to compete successfully with Japan.

10405. *Q.* Do you mean to say that by that time we will become more efficient?

A. Yes.

10406. *Q.* We have been told that under Protection industries would not become sufficiently efficient. Do you believe in that?

A. Absolutely not.

10407. *Q.* Are you aware that during the war, when the jute mills got high prices for their goods, they became more efficient?

A. Yes.

10408. *Q.* Therefore, you do not fear that inefficiency would come in as a result of Protection?

A. No. On the other hand, I do not know of any country whose industries have become efficient except under a policy of Protection.

10409. *Q.* You have mentioned shipping companies, but have not given any name. Are you aware that many shipping companies were started in 1919, and that they did not succeed on account of keen competition with foreign shipping companies?

A. That is so.

10410. *Q.* Therefore, you would like the State to aid Indian shipping companies?

A. Yes.

10411. *Q.* You said that you depend largely on America for a market for your jute goods. I suppose you meant hessians and not gunny bags?

A. I meant hessians.

10412. *Q.* You said something about combinations. The jute mills did combine and so you cannot accuse the jute manufacturers that they did not combine?

A. But when should they combine—after people are ruined or before? They waited too long, I am afraid.

10413. *Mr. Rhodes.*— *Q.* Mr. Khaitan, you represent the Marwari Association, which I know, as a matter of fact, is the leading Association of your community here. Is that not so?

A. I should be shy of calling my own Association the leading Association.

10414. *Q.* I have been a friend of your Association for about 25 years and I am going to prove my friendship by discussing things quite candidly with you. Your Association is chiefly interested in trade and commerce rather than in industries?

A. Both.

10415. *Q.* But the Marwari community generally has been pre-eminent in trade and commerce rather than in industry?

A. Members of the Marwari Association are engaged both in industries and in commerce.

10416. *Q.* They are predominantly known as traders and commercial men?

A. That is what they are supposed to be. How far it is correct I do not know. They are also engaged in industries.

10417. *Q.* They are very largely interested as capitalists and investors in jute mills?

A. Yes.

10418. *Q.* Up till quite recently they did not build their own mills, but they invested in jute mills which were organised and run under European supervision?

A. That would be correct so far as the jute mills are concerned.

10419. *Q.* Were not the mills started with foreign capital?

A. In the beginning possibly. But during recent years when jute mills were formed, they were formed with Indian capital. At the time of their formation Indians used to subscribe very largely. I am not speaking of what happened about 40 or 50 years ago. But within the past 40 or 50 years when companies were floated Indians used to subscribe largely.

10420. *Q.* Is not a considerable portion of the capital of the jute mills Marwari capital?

A. Yes.

10421. *Q.* Well, the Marwari community do one thing in practice and they preach another. They object to foreign flotations, but they are willing to invest in them?

A. Well, what can they do? They have got money and they have got to invest it in something. These are the investments they get. The circumstances of the country are such that they cannot with any confidence float their own industries.

10422. *Q.* But they have confidence in the jute mills as run by Europeans?

A. I do not quite agree with you there.

10423. *Q.* Well, they have invested?

A. Yes.

10424. *Q.* In the first instance these jute mills were floated on British capital attracted here not on an interest basis, as you suggested, but on a profit-sharing basis?

A. Yes, under a policy of Free Trade.

10425. *Q.* But after they were established, have not the shares very largely passed into the hands of Indian investors?

A. Why do you say "after"? Both at the time of the flotation of the companies and also after the flotation of the companies, shares have changed hands from Europeans to Indians and from Indians to Europeans.

10426. *Q.* The Indian community is investing a much larger proportion now, and the European community is investing less?

A. Yes, talking of the last 20 or 30 years.

10427. *Q.* The original capital that started the industry was British. Is it not so?

A. If you are taking on the original subscriptions, this was the case: when the shares were sold to Indians, they were sold not at the original price but at enhanced prices.

10428. *Q.* But the industry is now largely assisted by Indian capital?

A. Yes, but at the same time when they purchased the shares, they had to pay Rs. 50 for a share having a face value of Rs. 10.

10429. *Q.* Was it not fortunate for the Marwari community that when the jute industry was started, there was no Mr. Khaitan and no Fiscal Commission? Because it seems to me we could not have had any industrial development of India.

A. But don't you think that if Protection had been in existence in India, there would have been still further growth of industries in India?

10430. *Q.* I am not here to express any opinion: I am here to learn.

A. But that is my belief.

10431. *Q.* You say that there is plenty of capital, but that capital is not willing to come forward. There have been a large number of flotations recently: do you say that they have not gone to allotment?

A. In 1919 when there was a great boom capital was not shy. There have been only very few flotations recently.

10432. *Q.* Have there been no flotations in the last two months in Calcutta?

A. Very few, as compared to 1919.

10433. *Q.* But there have been some flotations?

A. Yes.

10434. *Q.* They have all gone into allotment?

A. Can you tell me which? I do not know of any flotations worth the name during the last year.

10435. *Q.* There have been coalfields?

A. There might have been one or two coalfields, but that is nothing in comparison with 1919.

10436. *Q.* You said that 60 per cent. of the capital of the jute mills is Indian. Don't you want these mills in which you have 60 per cent. of the capital, run on economic lines?

A. What do you mean by "on economic lines"?

10437. *Q.* As sound concerns. You do not think that politics and racial considerations should come into that?

A. I gave one instance to the President. An Indian went to a company with cash in hand, over half a lakh. Now we do not see any risk in selling goods to him.

10438. *Q.* Would you mind telling us the name of the mill and their answer?

A. I am afraid I cannot disclose the name publicly.

10439. *President*:—You might privately let Mr. Rhodes know it.

10440. *Mr Rhodes*:—You say that European managing agents do not buy jute through Indian brokers. I questioned the representatives of the Bengal National Chamber of Commerce on the same subject this morning and I did not get a satisfactory reply. Do the mills absolutely refuse to buy from Indian jute brokers?

A. There are some solitary exceptions. As between a European and an Indian broker, the jute mills prefer to buy from the European broker.

10441. *Q.* During the lunch interval I telephoned to one of the largest groups of mills and asked this question, and I was told that they buy an enormous quantity from a large number of Indian jute brokers. Is that statement correct or false?

A. Did you ask them the difference in price?

10442. *Q.* No. I did not.

A. That was one important factor. You would get better information if you asked the Indian jute brokers.

10443. *Q.* But they do buy a large quantity of jute from a large number of Indian jute brokers?

A. You would get better information if you asked him to give you the total quantity of jute bought, the percentage bought through Indian brokers and the percentage bought through European brokers and the difference in the prices for jute bought through European and Indian brokers.

10444. *Q.* You have made the statement that the European managing agents do not buy jute through Indian brokers.

A. I have only said that they prefer to buy through European brokers. "The European managing agents do not buy jute through Indian brokers but do so through European brokers even on payment of, say, 8 annas more per maund." It is not quite happily expressed. What we mean is that higher prices are paid through European brokers than through Indian brokers and preference is given to European brokers.

10445. *Q.* So, your words are not quite correct?

A. I do not say they are incorrect, but it is not happily expressed.

10446. *Q.* You say "buyers and sellers in the United Kingdom and in other parts of the Dominions give undue preference to exporting and importing European firms in this country." You are probably aware that last year, in other parts of India, Indian firms refused to take up their contract for many crores of rupees worth of piecegoods?

A. Not on the Calcutta side.

10447. *Q.* In India.

A. I have heard about Bombay, but is that the whole of India?

10448. *Q.* What I am suggesting is this; you say that buyers and sellers in the United Kingdom give undue preference to European firms but as the European firms did not default, don't you think that the word "undue" is not quite correct?

A. I think "undue" there is quite correct, because when two firms go at the same time you will find the merchants in the United Kingdom giving preference to the European firm.

10449. *Q.* But you do not think that the transactions of last year have shaken the confidence of European houses in Indian firms?

A. But what used to happen in the years before the last year? They could not anticipate then what would happen last year.

10450. *Q.* Do you think this will strengthen their confidence?

A. Because one per cent. do a certain thing, you cannot say all Indians do it. Can you show a single instance in Calcutta? There might have been some cases in Bombay, but none in Calcutta.

10451. *Q.* Is not the import trade of Calcutta largely in the hands of the Europeans here?

A. The greater percentage is, but there are Indian importers here who have quite honourably taken up their contracts.

10452. *Q.* Is there not an enormous amount of bills on Indian importers lying uncollected in the hands of Calcutta Banks?

A. It is solely from the Indians? Are there not bills on the European importers?

10453. *Q.* I have no knowledge of Europeans.

A. Perhaps you have not inquired.

10454. *Q.* You do not think that, that will shake confidence? (No answer).

10455. *Q.* Now, coming to the Banks, is it not a fact that the Marwari community have, for political motives, refused to do any business for three months?

A. I admit that they stopped doing business for three months, but that is not on account of political motives. They found that orders were not being received from the mofussil. There was a large stock of goods and the market was going down because there was no sale. Before picketing was introduced, the Marwari Chamber of Commerce had already passed a resolution that they should not place orders for piecegoods up to the 31st of December. But almost at the same time picketing was introduced and Mr. Gandhi came to Calcutta. The two events happened almost simultaneously and people thought that the resolution of the Marwari Chamber of Commerce was on account of the picketing. It had something to do with picketing because they found that on account of the picketing, goods could not be sold. The merchants decided not to give fresh orders for piecegoods for a certain time, not for political motives, but because they found that on account of the circumstances of the country, foreign piecegood could not be sold, and therefore, for commercial reasons, they thought that new contracts should not be entered into. Have you heard that when piecegoods were sent from Calcutta to Sitamarhi, the coolies would not remove these goods from the Railway station and the goods had to come back to Calcutta? What are the merchants to do then?

10456. *Q.* When a very large community stops trading for three months, don't you think that the confidence of three Banks in that community would be shaken?

A. Why do you blame the community?

10457. *Q.* You say that the Banks give undue preference to Europeans. The Europeans did not stop trading during that period?

A. Did the European trading houses continue to send orders to England when the Marwari merchants were not buying from them?

10458. *Q.* I am the head of one of those firms, and I did.

A. Perhaps, you thought that prices would rise and you thought it was an opportunity to make profit. I suppose you did not buy the goods for patriotic motives?

10459. *Q.* Well, you asked me a question and I have given you the fact.

A. Perhaps, you thought prices would rise.

10460. *Q.* I am asking you these questions because it seems to me that these statements of your Association are likely to strain the traditional friendship between the European community and the Marwari community. I think that was shown by the headlines in the newspapers this morning. What I ask you now is this: is the European in India such an incubus that he should not come in future and that he should be got rid of, if possible? Would you suggest, for instance, an *ad valorem* duty on Europeans imported into the country and a countervailing excise duty on Europeans born in the country?

A. You are perhaps, straining my statement too much. You are trying to put upon it a interpretation which it does not bear.

10461. *Q.* I am giving you this opportunity to explain yourself, because I think this statement will cause offence amongst our common friends in Calcutta.

A. We have simply expressed the feelings of the people.

10462. *Q.* It is apt to stir up feelings on both sides.

A. It is not intended to stir up feelings. Where these feelings exist, they ought to be removed. Our object is to bridge the gulf and not to enlarge it.

10463. *Q.* Is it the fact that the Swadeshi shipping concerns which are floated recently were all floated at the top of the boom, and that all shipping companies are doing very badly now?

A. If you want to develop shipping in India, you must give subsidies and preferential treatment to private companies, or Government should start it themselves.

10464. *Q.* You do not think that it would be better to start shipping companies when trade is good and not when there is a bad slump? Are you aware that a large number of ships are lying idle all the world over at present?

A. I know it.

10465. *Mr. Coyajee:* You propose to assist Indian shipping by a system of subsidies and also by discriminating in the levy of port dues?

A. Yes.

10466. *Q.* At the same time, you will agree that the development of shipbuilding in India assumes as a condition precedent to the development of steel and engineering industries in India?

A. Yes.

10467. *Q.* In answer to Question No. 5 you say, "we are opposed to the export of coal." Well, this matter was dealt with by the Indian Mining Federation. I submit their observations for your criticism. They say "certain alarmist opinion as to the resources of coal in India has led to the suggestion being thrown out from uninformed quarters that the export of coal should be practically stopped by an export duty. This is preposterous." They argue that if other industries are allowed to import coal their industry should be allowed to export it. What is your view?

A. Other industries would not import coal if the collieries here could feed them sufficiently. Coal is essential as a national fuel, and it is required for industries manufacturing raw materials into finished products for the consumption of the people. It is in a different category from other industries. Exporting coal is living on capital, and whatever goes out cannot be replaced. It is not so in the case of other industries. Therefore, there is difference between other industries and coal.

10468. *Q.* In answer to Question No. 7 you declare yourself against the excise duty. It has been argued before this Commission that if an industry required a certain percentage of Protection and it was given to it, then you could increase the import duty by a certain further margin for revenue and levy an equivalent excise duty. What is the harm in that? Suppose an industry wanted 10 per cent. margin for Protection and that an actual duty or 15 per cent. was levied and also an excise duty of 5 per cent.

A. Import duty encourages the growth of further industries. As further factories are established, the greater becomes the production of goods and the price gets cheapened. That is not so in the case of the excise duty. It will always increase the price, because even when the supply increases and the supply meets the demand the prices tend to follow the cost of production *plus* excise duty that is paid. That is not so in the case of import duty. The higher the import duty the greater the incentive for the establishment of a larger number of mills, the greater the production, the greater the supply, and therefore the price is further cheapened. Therefore there is a distinction between the two.

10469. *Q.* But a 15-per cent. import duty will multiply production more than a 10-per cent. import duty, and therefore the cost of production will be lower?

A. But you are not taking into account the 5-per cent. excise duty.

10470. *Q.* There is a 10-per cent. import duty, which is increased to 15 per cent. and a countervailing excise duty of 5 per cent. is levied. Would you object to that?

A. I am objecting to that, because it will tend to increase the price to the consumer. A protective import duty would be an incentive to the establishment of industries. The greater the number of factories that would be established, the greater would be the supply, and therefore the price would cheapen to that extent. But at the same time, if you impose an excise duty then the price would rise to that extent. Therefore, so far as the consumer is concerned, he would be in a better position if there is merely an import duty of 10 per cent., rather than there should be an import duty of 15 per cent. and an excise duty of 5 per cent. thus leaving the protective margin at 10 per cent.

10471. *Q.* In your answer to Question No. 18 the figures which you have put down have misled you because besides those included in the Balance Nett Export Transactions there were other exports which were much larger than normal?

A. You are perhaps, referring to the period from 1915-16 to 1919-20. But what about the figures from 1910-11 to 1914-15? You find that the export as against invisible imports was to the extent of 37,19 lakhs. In the subsequent 5 years the exports against invisible imports were to the extent of 82 crores. The margin that we have taken is only 50 crores. We have not stated that on her present commitments 82 crores will be the permanent liability of India.

10472. *Q.* I am referring to the latter period and saying that excess exports were naturally very high. There is another thing to be taken into consideration. About the same time credits were accummulating in England against expenses in India on behalf of the British War Office.

A. We have mentioned that.

10473. *Q.* You mean the 150 crores contribution?

A. We also mean the munitions that were exported.

10474. *Q.* In answer to Question No. 21 you say, "When an import duty is imposed there is usually a temporary rise of prices in the importing market, but after a short time prices are regulated by the law of supply and demand." Don't you think that sometimes the time taken is very long? I would submit to you one case. In America, in the case of such an article as steel rails it took 30 years of Protection to lower the price to the English level.

A. The price must always be regulated by the law of supply and demand. I do not know what happened in the case of English rails. But let us take the case of cotton manufactures. If a protective duty is established hand-looms will increase as also power mills. Take the case of the last two years. In 1920-21 there was an import of 143 crores of yards of piecegoods in India, and the power mills manufactured 143 crores of yards, and the hand-looms 100 crores of yards. In 1921-22 it is estimated that the imports will only be 100 crores of yards. As against this, the difference of 43 crores is going to be made up by the power mills and the hand-looms. If Protection be given, then there will be such an immediate extension of the cotton industries that India will begin to produce almost as much as the demand. When the supply itself equals the demand the import duty that is levied on foreign goods cannot affect the prices when the Indian supply itself can meet the demand. Therefore the rise can only be temporary.

10475. *Q.* You are taking only one industry?

A. I have given you only one instance.

10476. *Q.* In answer to Question No. 55 you say that if exchange depreciates by more than 10 per cent. of the standard rate the excess of such depreciation should be charged in the shape of a super-duty. But in some cases the consequences should be somewhat preposterous? For example, as regards the German exchange, England must impose a duty of 6,000 per cent. because the mark has depreciated from 20 to 1,200. So you will have to modify your statement?

A. That is our idea. If you think it should be modified, you can do so.

10477. *Sir Montagu Webb:*—*Q.* Mr. Khaitan, on reading through the Marwari Association's evidence I am somewhat surprised to find so frequent a reference to what the Marwari Association believes to be the prejudice in favour of European traders. Almost on every page of your statement I find a reference to European traders giving some reference to their own community.

A. Not on every page, Sir.

10478. *Q.* You have referred to it thrice on the first page.

A. Please don't take it as a racial quarrel. We have tried to give the facts with the intention that they should come to your notice and in order that these differences may be corrected.

10479. *Q.* I am the President of a number of companies in this country. I have got 32 years' experience of trade and commerce in this country. I can assure you that never once, in the whole of my experience can I recall a transaction which has been influenced by the consideration that we wanted to deal with European rather than with Indians. I can not recall from my personal experience a single example. So you can understand the astonishment with which I read your statements here. I will take the first on page 1. You say that the Railway policy is such that it favours the export of raw materials and import of manufactured products and certain centres where industries are under European management. Will you give me an example?

A. Cawnpore is an example.

10480. *Q.* Give me a specific example, in rupees, annas and pies. I should like to make an investigation.

A. If you carry iron beams and steel from Bombay to Cawnpore, a distance of 840 miles, the freight payable is 12 annas per maund. But to carry the same things from Bombay to Gwalior, a distance of 770 miles, the freight payable is 1-5-3, whereas it being 11-12ths of the distance of Cawnpore the rate should be 11 annas per maund.

10481. *Q.* You regard that as an instance of showing how the Railway rate has been fixed in favour of Cawnpore which contains big European industries?

A. What is the result of these two rates?

10482. *Q.* I have not the remotest idea. I did not know that such a thing existed. Could you give me other examples?

A. You will find the examples collected in Mr. S. C. Ghosh's Monograph on Indian Railway Rates.

10483. *Q.* That is a very important point into which I should personally wish to make a thorough investigation. I confess that I should feel some surprise if I arrived at that conclusion.

A. If you examine Mr. S. C. Ghosh, who was Special Officer under the Indian Railway Board, he will be able to give you many examples.

10484. *Q.* Proving that the rates are manipulated in favour of European enterprise?

A. Yes.

10485. *Q.* I shall look into these. Then you say, "it is notorious that the Banks give undue preference to European merchants and companies under European manangement to the exclusion of Indians." I want only to know of such cases. I am sorry you do not give any definite case.

A. I choose not to take any definite cases.

10486. *Q.* You believe that to be true?

A. Not only I believe, but I know it to be true.

10487. *Q.* The third example on the first page is that although Indians hold not less than 60 per cent. of the shares in the jute mills, the European managing agents thereof do not buy through Indian brokers but do so through European brokers even on payment of say, 8 annas per maund more. In this case you have yourself admitted that the statement is not very happily expressed.

A. I am sorry I expressed it like that.

10488. *Q.* There are several other examples. But I don't want to take up time. But I must say frankly that it appears to me that there are many statements in your written evidence which are wholly inaccurate.

A. If you put to me sentences I can say whether they are accurate or not. To you they may appear inaccurate.

10489. *Q.* Many of them appear to me to be wholly inaccurate.

A. I don't want such general remarks. There may be a difference of opinion. If facts are stated inaccurately, I should like to get the instances and see whether you are wrong or I am wrong.

10490. *Mr. Narottam Morarjee:*—*Q.* You say that unless the railway policy is so moulded as to really serve the interests of the country, it would continue to be an obstacle in the way of the country's development and might greatly neutralise the benefits that could otherwise

be derived from a system of protective tariffs. Have you any suggestions to make in that connection?

A. I would put forward the suggestions that we made to the Indian Railway Committee. What we suggest is that places where Indian industries are thriving should get preference in the matter of internal transport. They should be helped rather than hindered. Cheaper freights from and to the ports help export of raw materials and import of manufactured products from abroad, and the centres of industry in India are at a great disadvantage. What ought to be done is help in the matter of Railway policy.

10491. *Q.* Do you want Indian coal to be exported?

A. No.

10492. *Q.* If India were to import coal from outside would you encourage that in order to preserve our coal?

A. If the collieries that are working in India can satisfy the requirements of the industries here, then coal would not be imported. If at times, as happened recently, on account of certain causes, the collieries could not manage to supply the required amount of coal, some amount of coal would have to be imported.

10493. *Q.* In reply to Question No. 18 you say "we would suggest therefore that without permission of the permanent organisation that we recommend in answer to Question No. 29, no firm or company should be allowed to establish itself in the country at least 75 per cent. of whose capital is not furnished by Indians. Suppose Indians furnish 75 per cent. of the capital and later on Europeans buy these shares and increase the percentage in their favour, would you have any objection to that?

A. It comes to the same thing. Whether they come initially or afterwards, the effect is the same; I would rather go against it, if I can.

10494. *Q.* Suppose they buy shares in the name of Indians. How will you prevent that?

A. I do not think that can happen to a large extent.

10495. *Q.* Have you had any occasion to order machinery before or during the war?

A. I have no personal experience before the war, but I have done so after the war.

10496. *Q.* Have you had any occasion to pay more than the contracted price?

A. Yes, after the war.

10497. *Sir Edgar Holberton:—Q.* We have two practically identical papers submitted by the Marwari Association and the National Liberal League. Were they written by the same Sub-Committee?

A. There were some common members of the two sub-committees.

10498. *Q.* Let us for a moment turn to the National Liberal League. That is a political body. Is it not?

A. Yes.

10499. *Q.* You said that Sir Rajendra Nath Mukherjee is the Vice-President. Was he on this Sub-Committee?

A. No.

10500. *Q.* Were there any senior men on the Committee, men more than 45?

A. Yes.

10501. *Q.* Of the members of the National Liberal League who drew up this paper did the larger percentage consist of what I may call the elderly members, or did it consist of younger members?

A. Excepting myself, everybody else was over 40.

10502. *Q.* What about the Marwari Association? That is not a political club?

A. We deal with politics also as affecting the Marwari community. We more extensively deal with trade matters.

10503. *Q.* Has the Association got a club house of its own?

A. It has got a small office and it has got clerical staff.

10504. *Q.* It has a definite entity?

A. Yes. It returns one member to the Bengal Council. It consists of the most prominent men of the Marwari community.

10505. *Q.* Were the most prominent men on the Committee which drew up this note?

A. Yes.

10506. *Q.* You would be able to give me an assurance that this note represents the united and consistent views of the Marwari community?

A. Yes.

10507. *Q.* Like Sir Montagu Webb, I have been very much upset by this note of yours (*Sir Montagu Webb:*— Not upset, Sir). You tell us not to make it a racial question. You make a series of vague statements. You don't give any definite instances, and your replies are such as "I cannot agree with you." I have had a long commercial career and I give you my impression that practically the whole of your statements is wrong?

A. They are not mine, sir.

10508. *Q.* They are the statements of your Association?

A. Yes.

10509. *Q.* You have been asked by several members of the Commission to give definite chapter and verse for your accusations, and you do not find yourself willing to do so. Therefore we are in a difficult position in that the Commission is called upon to put upon its file vague statements which some members believe to be founded otherwise than on truth, and statements which are not supported by any definite facts at all.

A. Would you relish the giving of certain definite facts?

10510. *Q.* Certainly.

A. I do not think so.

10511. *Q.* This is exactly the sort of statement which I am asking you not to make. It is a hidden threat?

A. Where is the hidden threat?

10512. *Q.* You say that I would not like it and when I ask you to give it, you don't. But as we have arrived at this we must leave it so. Your definition of the world divides itself into two classes, Indian and non-Indian. Is it not so?

A. What do you mean by that?

10513. *Q.* Indians and foreigners?

A. We thought that this Commission was appointed to consider the effect of duties on the growth of Indian industries, and naturally we were compelled to consider the matter from that point of view.

10514 *Q.* I cannot understand the necessity of it at all. The Fiscal Commission was set up to examine what steps were necessary to safeguard and improve the economic future of India.

A. That does not mean necessarily of the Indians.

10515. *Q.* If you were to ask me to define what I meant by the economic future of England, I should not confine myself to the economic success of the ventures of Englishmen. There are in England also all sorts of factories, in some cases owned by foreigners and in other cases by members of the nations of the Empire, of which I believe some are Indians. It is new to me to find that, in examining the position in India, we have purely to look to the racial question.

A. I would rather not discuss political questions here.

10516. *Q.* The whole of your note then falls to the ground. It is purely political.

10517. *Sir Maneckjee Dadabhoy:—Q.* With regard to your condition that 75 per cent. of the capital of a company should be owned by Indians, once a company is floated, would you prevent it from passing into the hands of Europeans?

A. We have not considered the matter from that point of view.

10518. *Q.* If you do that, would it not depreciate the value of your securities, and would not your credits be unsaleable?

A. Why?

10519. *Q.* If you cannot sell freely in the open market, then the prices of those things will go down. If you restrict the market and say "I must get an Indian purchaser," you won't get the same price as when you sell freely in the open market?

A. That point has not been considered by my Association and I would prefer not to answer it.

Witness No. 70.

BENGAL CHAMBER OF COMMERCE.

Written statement dated Calcutta, the 4th January 1922.

10520. In reply to your request for an expression of the views of this Chamber on any points arising from these questions, I am to invite your attention to the following statement. In so doing I am to say that the Committee of the Chamber do not propose to deal with sections other than A & B of your questionnaire. Section C manufactures, section D export trade, E import trade, and F retail trade, they do not touch upon, as they prefer to leave these to the several interests concerned.

Before proceeding to deal with sections A & B, it may be desirable to define the past attitude of this Chamber in respect of fiscal matters. The Chamber is, it must be premised, an organisation consisting of 243 companies, firms and persons, engaged in the import and export trades, in manufacturing industries, in ship-owning, banking, insurance, and in numerous other forms of commercial and industrial activity. It would be unreasonable to expect that, among interests so diversified, unanimous conclusions can be always arrived at in respect of such highly controversial matters as are those in question. This being so, it has not been the practice of the Chamber in past years to enter largely into the discussion of these matters. Nevertheless, the Chamber has from time to time expressed its opinion on fiscal questions, as it did soon after the publication, by the Government of India, on the 23rd October 1903, of their well-known despatch on the subject of preferential tariffs.

It will be recalled that Lord Curzon's Government, influenced largely by the vital importance to India of her export trade with foreign countries, did not support Imperial Preference. They did not take up an entirely antagonistic attitude, but they were impressed by the possibility of danger, and they were unable to discern any great resulting advantages. It must be, however, remembered that the Government of India had no definite proposals before them; and, as they remarked, it was neither easy nor conclusive to declare, on *a priori* grounds, their adhesion to a policy not clearly defined. But although they thus avoided declaring themselves in favour of Imperial Preference, they certainly supported a policy of reciprocity. For they asked that they should not be pledged in advance to accord equal "treatment to the imports of all countries alike, irrespective of whether they penalise our exports or not. And we are hopeful," they continued, "that the mere announcement that our hands are free will of itself suffice to maintain us in the enjoyment of that considerable measure of free exchange which we already possess, and from time to time even to extend it."

The Chamber was in practical agreement with these conclusions. "I think," said the then President, Mr. (now Lord) Cable, "we shall most of us agree with the opinion expressed by the Government that it will not be to the advantage of India to enter into any scheme of preferential tariffs which may embroil us with continental customers—but that she should, in case of need, be prepared to depart from her traditional principle of refusing to differentiate between the imports of different countries. In a word, India's policy should not be aggressive but defensive." This statement, which was made at the annual general meeting of the Chamber on the 29th February 1904, and which was supported by other speakers, would seem to have correctly reflected the generally accepted opinion. It would appear also to be a more or less accurate definition of the position of the Chamber until the outbreak of war ten years later. Much consideration was then given by the commercial community to the question of the trade policy to be followed by India on the cessation of hostilities. And at a Conference of Indian Chambers which was held at Delhi in 1917, the seven Chambers* represented were unanimously of the opinion that that policy should be based on the principle of reciprocity. In conference the Chambers did not go beyond this. But the Bengal Chamber subsequently expressed to the Government its agreement with the Conference, and it also went further and supported not only reciprocity but preference so far as possible within the British Empire—*Letter, dated 1st June, 1917 to the Government of Bengal.*

I am to ask that the remarks which follow in this letter may be read and considered in the light of the foregoing brief account of the attitude of the Chamber during recent years towards fiscal problems. To begin with, the first eight of the questions on your list I am to say that the Committee do not declare themselves as being supporters of a policy of Free Trade, or of a policy of Protection. They do not approach the subject in the way that this enquiry suggests. They hold, as I have indicated above, that the country should not be bound to a rigid system. Free Trade is of necessity attractive to merchants, but the Committee would not rule out the possibility of protecting certain industries in certain circumstances. Similarly, they have no objection to the imposition of customs duties for the purpose of obtaining revenue. And in the present circumstances and conditions of this country, they think that customs duties provide probably a more suitable method of raising revenue than is provided by direct taxation. But this view is subject to the limitation that the tariff is low. So long as it is a revenue producing tariff, at a low level, it would certainly seem to be preferable to direct taxation. But when it is a revenue tariff on a high level, or a protective tariff, then in the opinion of the Committee, direct taxation is unavoidable. Referring to Questions Nos. 3 and 5, they do not propose to deal with the various articles taxed, or with the effect that the existing tariff policy may have had on Indian industries. For these are, in their view, matters to be dealt with by the several trades and industries concerned. In answer to Question No. 4, they would say that the principles upon which the Indian tariff is at present based are generally sound. They agree, for example, that luxuries should be more heavily taxed than necessaries; and that the importation of certain classes of goods should be encouraged by low duties. At the same time, the general level of the duties is now high; and complaints in respect of the classification of various, classes of goods have been made. It might be well, therefore, for the subject to be thoroughly investigated by an expert Committee in consultation with the trades and interests affected. Your Questions Nos. 6, 7 and 8 deal with excise duties as countervailing import duties. The Committee do not support the imposition of these taxes, but they can conceive that, from a revenue point of view, such may be sometimes justifiable. Theoretically, an excise in such circumstances would mean presumably that a share, or perhaps the whole, of the protective benefit conferred on the local manufacturer by the import duty would be diverted to the State. The local manufacturer would, of course, endeavour to pass on the excise to the consumer. And possibly he would so pass it on unless, by so doing, he increased his price up to, or above, that of the imported article.

10521. I am now to refer to your Questions Nos. 9 to 29, which raise the subject of a protective tariff. The tariff should be framed primarily, the Committee think, not for the purpose of fostering Indian industries but for the raising of revenue. The promoting of industrial development might be a secondary object, but the primary purpose ought to be the raising of revenue. The Committee find it difficult to conceive that India, or indeed any country, can become independent of other countries in regard to all her requirements of manufactured goods. To whatever extent her manufacturing industries may develop, the country would still continue to import manufactured goods. At least this would seem to be the experience of other great manufacturing countries, such as the United States and Germany before the war. Nor do the Committee think that a policy designed to exclude all foreign-made goods could be in the best interests of India. A great export trade and a great import trade will be imperative if the country is ever to be industrially developed. But although they would deprecate this so-called "ring-fence" policy, the Committee agree that it is desirable to make India more self-supporting than she is at

*Bengal, Bombay, Burma, Karachi, Madras, Punjab, Upper India, Chambers.

present in respect of manufactured goods. The war showed this to be necessary, and the Chamber pointed out the necessity to the Government in the letter quoted in paragraph 5 above. But it would appear to be advisable to endeavour to promote only those industries for the development of which the circumstances and conditions of India are favourable. The Committee would not favour the imposition of an indiscriminate protective tariff on all foreign goods. The claims of every industry seeking Protection should be examined and explored by an expert commission. And if such a commission decided that it would be in the general interest of India that an industry should be protected, then the duties might be arranged accordingly. It may be anticipated that most industries would claim Protection, but each would have to make out his case, and the opponents of protection would also be heard. Such a method of dealing with the tariff would, of course, mean immense labour, but there would seem to be no other way in which to discriminate.

10522. In dealing with new industries, the Committee would proceed on the principles that I have just indicated. A new industry ought not to be entitled to Protection merely because it is new. Its promoters should be required to satisfy an expert commission that it is naturally suited to the country, that the raw material is available, and that there is a reasonable prospect of the industry becoming self-supporting. For, speaking broadly, the Committee would be against protecting industries which show after a time that they must have permanent and continuous assistance in the way of import duties. It may, however, be necessary here to make exceptions in respect of industries required for the production of war munitions and material. Turning to Question No. 15, I am to repeat that the Committee favour the general principle of reciprocity. They would, therefore, be inclined to support countervailing measures against dumping, bounties, transport concessions, etc. But they would, of course, have every case examined on its merits. Here they merely indicate their agreement with the general principle. They have in mind for instance the Indian countervailing sugar duties of 1899. In 1917 the Chamber suggested that section 6 of the Canadian Customs Act of 1907 is a suitable provision of law for the control of "dumping".

10523. In reply to Question No. 16, I am to say that the Chamber has no objection to hand-loom industries as such. But considered in opposition to power-loom industries, they are surely an anachronism. The power-loom has now established itself throughout the world, and it will not be successfully opposed by the hand-loom. At the same time, there is no reason why Indian hand-loom industries should not be encouraged in respect of certain special classes of goods. On the contrary, the manufacture of such special Indian fabrics as this ought certainly to be fostered. And it must not be supposed also that the Committee are antagonistic to hand-loom industries. Their point is that they regard it as hopeless to expect hand-loom production to compete with power-loom production. Proceeding to Question No. 17, I am to say that the effect of protective duties is to secure and to stabilise the domestic market in the interest of industries. Presumably, therefore, competition among local manufacturers might be less intense than if the world at large were competing with them. And it might well follow that there would be more danger of combinations, having in view a monopolistic price than there is under a free system. The only safeguards against such a danger would appear to be a strong and vigorous public opinion, and a legislature prepared, if necessary, to take legislative action. British and foreign industrial firms would probably endeavour to establish themselves in India in order to get the benefit of the protective duties. But this is not a matter in respect of which the Committee can make suggestions. They would leave it for the manufacturers themselves to examine. As regards Question No. 19, I am to repeat that the Committee are not, as I have already indicated, in favour of the introduction of general indiscriminate protective duties. They would proceed cautiously and tentatively, protecting only those industries that can show to the satisfaction of an expert commission of enquiry that they are suited to the country, and that there is a prospect of their development. Under such a system the difficulties referred to in Question No. 19 would be dealt with by the expert commission.

10524. It is not easy to reply definitely to Question No. 20, namely whether ordinarily the whole, or any part of an import duty is passed on to the consumer in a rise of price. There would probably be few cases where some part of the duty could not be passed on to the consumer. And if there is little or no domestic production, the whole of the duty would probably have to be borne by the consumer. If there is domestic production, the price to the consumer of the locally made article would rise in the absence of effective competition among the domestic manufacturers. But the question is not one that can be answered in general terms. It is a matter for investigation and enquiry in respect of particular articles and the circumstances and conditions of their importation and manufacture. Similarly, the Committee would hesitate to answer Question No. 21, namely, whether a rise in price created by an import duty is likely to be permanent or not. As regards Question No. 22, it seems to the Committee to be inevitable that an increase in price to the Indian consumer must be accepted if protective duties are to be imposed. And in reply to Question No. 23, they would again repeat their previously expressed opinion that every article ought to be examined on its merits. There should be no general protective duties; and the point whether necessaries should be taxed should be investigated with other similar problems. The enquiry made by Question No. 24, is as to whether the increased cost of living resulting from protection, would be covered wholly, or in part, by a rise in wages or salaries. Wages and salaries would, it may be anticipated, tend to climb up slowly after the rise in prices. And it is to be feared that there would be discontent in the meantime, more especially if Protection were general, and the consequent rise in prices was also general. The possibility of such discontent is of itself a very strong reason for introducing Protection very cautiously, and to a limited extent only, in the beginning.

10525. The effect that a policy of Protection would have on the foreign trade of India would doubtless vary with the measure and extent of the protective duties. Indiscriminate general protective duties would almost certainly harm the foreign trade. But such limited Protection of carefully selected industries, as the Committee would be disposed to favour, might have a beneficial effect. Question No. 26 is really answered in the introductory paragraphs of this letter. The Committee do not like the idea of making the tariff a weapon of aggression. They would use it as a means of defence. The action taken by Lord Curzon's Government in 1903, with reference to the French duties on coffee, is an instance of how a tariff may be advantageous to India as a defensive instrument for bargaining with other countries. As regards Questions Nos. 27 and 28, I am to say that the Committee are, as I have indicated, in favour of reciprocal treatment as between India and other countries. They would accord special treatment to countries giving favourable treatment to Indian imports. The permanent organisation referred to in Question No. 29 would be the tariff commission, the need for which I have already suggested. Even without the adoption of Protection the establishment of such a commission would seem to be necessary now that the tariff stands at a high level.

10526. Questions Nos. 30 to 34 deal with export duties. So far as the Committee are concerned, they would hesitate to impose export duties except for the purpose of raising revenue. The commercial policy of an export duty is generally to secure advantage to domestic industries, as against their foreign rivals, in the provision of raw material. But, except in the case of monopoly articles, this object is difficult to attain. It is, similarly, difficult to make the foreign buyer pay the tax except in the case of monopoly articles. The Chamber supported in 1919 a proposal to levy an export duty on Indian hides and skins. The proposal was adopted and a 15 per cent. duty has been in force since September of that year. It may be that the real effect of this duty has been obscured by the abnormal trade conditions prevailing during the last two years. But it is a fact that the quantity of raw material, in the shape of hides and skins, available for the Indian tanner is now infinitely greater than he can consume. Indian hides have no monopoly in the world's markets; and so far as hides are concerned, the duty has been apparently a failure. Goat-skins are more in the nature of a monopolistic article, and the failure is perhaps less pronounced as regards them. On the whole the Committee would be opposed to export duties save for purely revenue purposes, and then only on a very low level. They would certainly oppose any idea of levying such duties on foodstuffs. It is true that Indian prices might be thereby lowered, but they would be lowered to the producer as well as to the consumer. The result would be that the producer would restrict his production in order to increase his price. The fall in jute prices—not, it must be admitted, entirely due to the export tax—shows that this is what would happen. As the grower receives less for his jute, he tends to restrict his cultivation; and he would do the same with foodstuffs. As regards Question No. 34, an export duty on a raw material, in retaliation for an import duty imposed by a foreign country, is not likely to be successful unless the article taxed is a monopoly article. The foreign buyer would naturally buy elsewhere unless the

article was peculiar to India.

10527. At a time when India is striving to rebuild her former great trade with foreign countries it may perhaps be inopportune to propose Imperial Preference. But assuming the ultimate resumption of more or less normal conditions, the Committee take the view that it would be difficult to show that a preferential system would be directly prejudical to Indian interests. This was the opinion expressed by the late Sir Edward Law in the minute attached to the Government of India's despatch of the 23rd October 1903. The Committee do not, therefore, anticipate that India would have to risk any appreciable economic loss for the sake of Imperial Preference. To quote Sir Edward Law* again, they think "that while there would be little immediate direct gain in participating in a policy of Imperial Preference, the essential legitimate development of Indian manufacturing industries could best be obtained by participation in an Imperial system of preferential tariffs." And there is a further consideration that, in calculating the economic loss, the advantages resulting to India from its connection with the British Empire would have to be put into the scale. The Committee do not propose to deal in detail with Questions Nos. 35 to 42, or to give lists of articles in respect of which preference might be given. But, broadly speaking, they would favour a general preference in favour of the United Kingdom and British possessions, but it would have to be on the principle of reciprocity.

*Life of Sir Edward Fitzgerald Law 1911—p. 371.

SIR ROBERT WATSON SMYTH.

Oral evidence, Calcutta, the 13th January 1922.

President.—

10528. *Q.* You represent the Bengal Chamber of Commerce ?

A. Yes.

10529. *Q.* You very naturally point out that as your Chamber consists of 243 companies, firms and persons, engaged in the import and export trades, in manufacturing industries, in ship-owning, banking, insurance, etc., it is hardly possible that on such fiscal matters you could have any unanimity in opinion.

A. Very difficult.

10530. *Q.* In paragraph 6 on page 1 you say that "at the same time the general level of the duties is now high; and complaints in respect of the classification of various classes of goods have been made. It might be well therefore for the subject to be thoroughly investigated by an expert Committee in consultation with the trades and interests affected". Could you please explain what is meant by it ?

A. That is rather off the line of this enquiry. About the various classification of goods I think the engineering people have got a good deal to say about that—there have been good many complaints and as this Committee is enquiring into the whole policy, we thought it a good place to put that in. There have been these complaints about the classification of goods. Here we are not talking so much about the amount of the tariff but as to how it was applied to the different imports. That is what we mean there.

10531. *Q.* Could you give any instances in which the present tariff is operating unfairly?

A. It is not so much the tariff operating unfairly as the classification of the goods under the tariff.

10532. *Q.* As regards fiscal policy, I understand your Chamber's position to be neither strict Free-Trade nor strict Protection but discriminating policy in regard to both ?

A. That is the best policy which we have sought to put before this Committee and we did not approach it as either free-traders or protectionists ; although we realise that free-trade is attractive to many we also realise that there are certain industries—but they must be very carefully discriminated which should, speaking of India as a whole, be protected at any rate for the time being.

10533. *Q.* Do you think that in the economic national interest of India, it is desirable to encourage the development of industries in this country ?

A. Undoubtedly, but not to the extreme that we have been suggested that India should be made entirely self-supporting which we think is out of all practical politics.

10534. *Q.* If you agree that it is to the national interests of India to have a policy of substantial development of industries, you would have no objection to give State assistance ? You would give Protection in some form for the establishment of new industries which may be of material assistance to the country?

A. It will have to be very carefully proved first of all that the industry is suitable to the country ; and secondly that it could not properly be developed without protection.

10535. *Q.* In those cases, you would agree to give Protection ?

A. Yes.

10536. *Q.* Both in paragraph 7 and in paragraph 8 and in the subsequent statement, you refer to an "expert Commission." Will you please explain what is intended to be conveyed by that expression ?

A. I do not know that I can explain any more than what the actual words mean.

10537. *Q.* I mean as the recommendation consists of two words expert and Commission, would you have a commission going about consisting of experts who would deal with them ? I want really to get at the mind of the Bengal Chamber of Commerce, that is why I am asking this question. Would it be a Commission who would go about taking evidence ?

A. I think so. I do not know that going about and taking evidence would be necessary. If it were necessary, of course, they would have to do it, but let us not drive the meaning of the word expert too far. All that we mean by the word expert is that it should be a Committee of men who would be duly qualified to enquire into and decide on this question and who could take evidence on both sides.

10538. *Q.* They will take evidence, if necessary. What I wanted to know was whether you really meant a Commission who would go about taking evidence throughout the country or whether you meant that it should be a Committee sitting at some headquarters consisting of competent men qualified to decide who would consider all proposals put before it for careful investigation into all aspects of the question before sanctioning any protective tariff ?

A. I do not know that we considered it well as far as that. What we had in mind was that both sides should be heard, that it should not be sufficent for the industry to put up a good case, but that also those who were opposed to that industry being protected should also be heard.

10539. *Q.* That is what I wanted to find out. We cannot recommend to Government to appoint Commission after Commission ?

A. I think that what we had in mind was more or less a standing tribunal.

10540. *Q.* An ordinary standing Committee who would investigate the claims of each individual industry ?

A. Yes.

10541. *Q.* From all aspects of the case before recommending to Government for action in any particular direction ?

A. I do not think we had the idea of an expert Committee such as this sitting from time to time.

10542. *Q.* In paragraph 12 you say that you are opposed to any idea of levying an export duty on foodstuffs and then you go on to point out that it is true that Indian prices might be thereby lowered, but they would be lowered to the producer as well as to the consumer. The result would be that the producer would restrict his production in order to increase his price. The fall in jute prices—not, it must be admitted, entirely due to the export tax—shows that this is what would happen. As the grower receives less for his jute, he tends to restrict his cultivation and he would do the same with foodstuffs. If an export duty was imposed, are you quite sure that the production of foodstuffs in India would be reduced ?

A. You cannot be sure of anything in this world but every thing that one sees from the past all points to that conclusion. If you reduce the prices the ryot gets for his rice or whatever it is, and if he finds that he can grow something else, to greater advantage, he will restrict his rice and grow jute.

10543. *Q.* Provided his land is suitable ?

A. Of course ; some alternative produce. Rice is a very

good alternative crop to jute and in fact when they reduce the area devoted for jute, mostly it goes for rice.

10544. *Q.* With reference to Imperial Preference in the next paragraph you say that it is inopportune to propose Imperial Preference at the present moment. But assuming the ultimate resumption of more or less normal conditions, the Committee take the view that it would be difficult to show that a preferential system would be directly prejudicial to Indian interests. Do you think that it would be advantageous to Indian interests?

A. The paragraph is as non-committal as one could possibly imagine and I really would rather leave it as non-committal. I certainly think that this is not a good time either for political or any other reasons to talk about Imperial Preference at the moment.

10545. *Q.* Therefore you would leave the matter open?

A. Just as open as it is drafted there.

10546. *Sir Edgar Holberton.*—*Q.* Your Chamber has, I gather, realised as fairly as everybody else, the necessity of raising enough money and therefore for revenue purposes the necessity of a tariff?

A. Yes.

10547. *Q.* Would you look upon the present tariff of 11 per cent. as getting anywhere near a protective tariff?

A. It is getting that way. Our point of view as regards tariff for revenue purposes is that it is all right as long as you don't defeat your own end and as long as you allow imports to come in. You must see that you don't put your tariff rates so high that you stop your imports, in which case you would not get your revenue. I think the present 11 per cent. is getting very near that point.

10548. *Q.* Supposing it is necessary to raise more revenue in the current year or in the following year, has your Chamber considered whether further revenues should take the form of increase in these duties or direct taxation?

A. Well, it is very difficult to say. As we pointed out we think that we are getting very near the margin when the rise in these duties will not produce the extra revenue required, but I should very much hesitate to say that we have actually reached that yet. If a small increase were made, I don't think on principle that the Bengal Chamber would object to it as being certain to stop the flow of imports.

10549. *Q.* There is the risk there?

A. Yes.

10550. *Q.* In that case it would perhaps be necessary, if the Government of India was ever faced with a high deficit, to have more direct taxation?

A. If that seems to be the only alternative.

10551. *Q.* Has your Chamber ever considered what form the direct taxation, if the Government were forced to impose it, should take?

A. I won't commit them. I don't think that this point has ever been put before them.

10552. *Q.* They have not considered that point?

A. No.

10553. *Q.* In your paragraph 8 you state that an industry should not be protected merely because it is new. You also stipulate that it should have a reasonable prospect of becoming self-supporting. At what period of its life, do you think that the policy of Protection can best be applied? I ask you this because we have heard various views; some people suggest that a non-existent industry should be protected in order to bring it into being; others say that an industry which has been started and is struggling should be protected; others, again, say that an industry which is on its legs and which is passing through a bad crisis should be protected. Which of these three classes do you think should be selected?

A. The question put that way is difficult to answer. The view which the Bengal Chamber of Commerce put foward is that each industry should be taken on its own merits. The answer does not mean that a new industry should be excluded. It may be that a new industry should be protected right from the very start, provided that it is proved to be suitable to the country and also likely to have a future before it. On the other hand, it may be an industry which has been started and is faced with a crisis. If that also was decided to be an industry that was suitable to the country, we should agree to that being protected.

10554. *Q.* Then the real test is the suitability of the industry to the country?

A. Yes, and the likelihood that it would not always need Protection; what we are really against is the idea that it could never go on unless it is protected.

10555. *Mr. Rhodes.* *Q.* You would except of course key industries?

A. Yes, in the case of munitions.

10556. *Sir Edgar Holberton.* *Q.* Permanent and continuous assistance might be given to munitions?

A. Yes, key industries defined in this way to help war and not those defined by the Legislature at Home.

10557. *Q.* When you are considering the question of selecting industries for Protection, the first test is the suitability of the industry to the country. Would you take into serious consideration the length of period during which the consumer will have to pay more because of Protection?

A. Yes, undoubtedly. The man who is representing the consumer would put that very much to the fore.

10558. *Q.* You realise that the consumer would usually have to pay?

A. Yes.

10559 *Q.* As regards the expert Commission, will it be a standing Commission with salaries and regular officers?

A. I think that it would have to be, for a time at any rate. If you are going to make a great change like this, the enquiry would have to last for a considerable time and probably would have to be standing. No doubt later on, when perhaps only occasional references would be made, this special Committee could be brought together. I would not like to answer too much on that point because really we have not worked out any scheme. We have not gone into that part. We did not go into the question of expense.

10560. *Q.* Have you any idea as to how the policy of reciprocity indicated in paragraph 12 would work? What do you mean?

A. That we do to others as they do unto us.

10561. *Q.* Quite apart from any idea of Imperial Preference?

A. Yes.

10562. *Q.* If anybody dealt with you unfairly as you considered, you would take measures to deal with them?

A. Certainly.

10563. *Q.* That would really be the basis of reciprocity?

A. Defensive reciprocity.

10564. *Q.* Your Chamber is in favour only of defensive reciprocity?

A. That is what we mean.

10565. *Q.* Your Chamber is in touch with all the parts of the world. Have you ever found yourself hampered by the want of a consulate service?

A. No. From what I remember during my time with the Chamber, and also from my own experience as a merchant, I don't think that we have been very much hampered.

10566. *Q.* If you are going to develop this reciprocity, how will you be able to obtain information from other countries?

A. The only time that I remember was in the time of the sugar bounties when Germans and Austrians tried by all possible means that one could think of in disguising from us their bounties. But somehow we got all the information, whatever form the bounty took, whether it was a rebate in freight, whether it was a slight rebate in the Railway charges and all sorts of underground ways. Our Intelligence Department seemed to have found that out quickly enough. That is the only instance I remember.

10567. *Q.* If you establish a consulate service, it would be an expensive affair. Your Chamber does not think it necessary?

A. I would prefer not to go so far as that.

10568. *Q.* Do you believe that you have suffered any harm by the want of it?

A. No.

10569. *Mr. Narottam Morarjee.*—*Q.* In paragraph 9 you allude to combinations. Can you tell me of any industrial combinations in India?

A. Yes, I suppose you can take all the Associations as combinations.

10570. *Q.* Which Associations do you mean?

A. The Jute Mills Association, the Cotton Mills Association in Bombay, and the Indian Mining Association.

10571. *Q.* Do they regulate prices of manufactured articles?

A. No, but they regulate other things which affect price.

10572. *Q.* Can you give me any instance?

A. Yes, the number of days in which the jute mills work. It is all arranged by the Association.

10573. *Q.* Only when the trade is slack, they either close their mills or they curtail their production. Is that not so?

A. Anyhow that is my idea of a combination. I may be wrong. I think in the matter of coal too, they hold meetings and regulate prices as regards any tenders that might have been called for. They don't always carry out agreements. That is my idea of a combination. I don't mean any amalgamation of capital.

10574. *Sir Montagu Webb.*—*Q.* The statement which your Chamber has put in is quite complete and contains all the information we can expect to get from the Chamber. There are, however, one or two general questions that I should like to ask you. It has been suggested to us by orthodox free traders that a general policy of Protection must necessarily raise prices and would therefore tend to increase the present discontent. Do you think that is a consideration that we should take any notice of? At the end of paragraph 10, you have some reference to it.

A. We have stated in the last sentence of that paragraph that "the possibility of such discontent is of itself a very strong reason for introducing Protection very cautiously and to a limited extent only, in the beginning." I am of that opinion. I think it would tend to either keep up prices that might otherwise go down, or raise them still higher.

10575. *Q.* Then another general question, which I should like to have your view on is this:—it has been suggested to us that a protective policy by stimulating industries would tend to withdraw population from agriculture and concentrate it on industrial centres and might thereby increase the risk of famine. Is that a consideration to which the Bengal Chamber has given any attention?

A. No. That point of view had not occurred to them. It sounds to me, just taking it as you stated, as rather far fetched.

10576. *Q.* You do not think that the withdrawal of population from the fields could be so great as to very seriously affect agriculture?

A. I do not think concentration in towns when you are dealing with millions in India could be possibly sufficient to make any such difference in the matter of agriculture as to increase the risk of famine.

10577. *Q.* I think the President has said that the Bengal Chamber appears to be a discriminator in the matter of tariffs. We had one very able witness in Lahore who described all industries as passing through the baby stage, the child stage and the adult stage, and his recommendation to us was to nurse the baby, protect the child and to freq the adult. Is that generally a policy which will commend itself to the Bengal Chamber?

A. I am not sure that it would. I think perhaps I ought to ask you to forget for a moment that I am the President of the Bengal Chamber. But my idea is rather the other way. I look upon an industry that can thrive without protection like a strong healthy plant that grows in the open and is armed by nature against all the winds that blow. Industries started and going on under Protection seem to me like weak exotic that grows in the conservatory. If the window is open and a draught comes in, it dies. That is my own view, as opposed to what you said just now, nursing the baby and so on. I think of course the baby very often requires Protection, but the sooner you allow it to run in the open, so much the better

10578. *Q.* At the same time, green houses and conservatories are not unknown?

A. They are not at all unknown, but the thing is which produces the better plants.

10579. *Q.* Your feeling is this. The less nursing the better?

A. That is my opinion.

10580. *Mr. Coyajee.*—*Q.* In your paragraph 8, you say that it may be necessary to deal specially with industries required for the production of war munitions and material. Will that not cover a very large range of industries, the iron and steel industry, many chemical industries, leather industry, etc?

A. I suppose it could be made to cover a very large range of protection, but I do not think we have that in our minds in using these words. If that argument is pursued to its logical conclusion, it could be made to cover every industry. I do not think we meant that.

10581. *Q.* As regards the procedure of the Expert Commission, would you give Protection to each industry as it is passed by the Commission or would you wait for a long time until the expert Commission had made a comprehensive survey of all industries and found which were suitable?

A. I did not consider that point. I think each industry may be dealt with on its own and it need not wait for the expert Commission to examine all the industries.

10582. *Q.* I was suggesting to you in this connection the view put forward by Professor Jevons that as the Commission passes each industry, it should get Protection, and therefore it would be a tentative way of ushering in Protection so that experiments might be made in that direction?

A. Yes.

10583. *Q.* And that is also what you imply perhaps by the last sentence of paragraph 10, *viz.*, "the possibility of such discontent is of itself a very strong reason for introducing Protection very cautiously, and to a limited extent only, in the beginning"?

A. That was against the other alternative of universal protected tariff.

10584. *Q.* In your paragraph 11, you say *inter alia* "The Committee do not like the idea of making the tariff a weapon of aggression. They would use it as a means of defence." Let me put it to you that several countries which levy very heavy import duties on our manufactured goods admit our raw materials free. Would you not use either import duty or export duty against such hostile action on the part of other nations?

A. I would use every weapon that I had in my armoury, but the matter to be considered very carefully is as to whether, in producing your weapon in the form of export duty, you are not doing yourself more harm than the person you are attacking.

10585 *Mr. Mant.*—*Q.* I noticed that this written evidence of your Chamber was published in the Press a couple of days ago.

A. That is our difficulty on many occasions. Documents of this kind have naturally to be circulated to our members. The *Statesman* and the *Englishman* are members of the Chamber and we cannot stop them publishing. I admit that it is wrong.

10586. *Q.* It is certainly a rather curious proceeding?

A. It is a very curious proceeding, and, as a matter of fact, I took the opportunity of speaking very strongly about it, because not only is one statement issued, but it is also commented on, favourably or unfavourably, before it is in our hands.

10587. *Q.* It takes off the cream of our discussion.

A. I consider the action of both the *Statesman* and the *Englishman* is wrong.

10588. *Q.* I take it that the views of your Chamber are summed up in the second sentence of paragraph 7, where you say, that the primary purpose of the tariff ought to be the raising of revenue, and that the promotion of industrial development might be the secondary object.

A. That I think is a statement that would find most supporters taking the whole of our members.

10589. *Q.* I should just like you to elucidate that a little. How would you attain that secondary object?

A. What I mean is that no body will object to a tariff for revenue purposes, while man would object very strongly to a tariff for promoting industrial development.

10590. *Q.* The two objects would come into conflict very often?

A. Yes.

10591. *Q.* When a revenue duty is raised above a certain point it becomes less productive. Like the tobacoo duties for instance?

A. Yes.

10592. *Q.* It is rather difficult to meet the two objects?

A. Once you get them going they are bound to clash. I think we had that in mind.

10593. *Q.* I gather the Chamber only contemplate Protection for a limited period because you say that in the case of industries which cannot carry on without permanent and continuous assistance, you would remove Protection. Is that your general theory?

A. That is our general theory, the idea being that if an industry cannot ever hope to exist in this country without being helped by the tax payer, that is a form of Protection which the Chamber does not contemplate.

10594. *Q.* Then you would remove the protective duty?

A. Yes.

10595. *Q.* Looking at the practical experience of other countries, will it be a practical proposition to remove the protective duty? It has often been found to be difficult in the case of flourishing industries. When an industry is languishing and for that reason requires Protection, there would be a great out-cry if you remove the duty?

A. If the industry were languishing, it would be a question of removing the duty or of raising it in order to keep the industry going. Each would cause an outcry.

10596. *Q.* Supposing you are satisfied that it would never flourish, what would you propose?

A. You mean when the time comes for removing the duty; it would be difficult. That I quite admit, but we were really considering whether the industry should ever be protected.

10597. *Q.* You could tell from the start?

A. You could usually tell from the start. If an industry would not run on its own, our recommendation is to turn it down from the start.

10598. *Q.* You rely on the judgment of the expert Commission?

A. One has got to rely on it.

10599 *Sir Manakjee Dadabhoy.* *Q.* I shall sum up the result of your examination to-day in a few words and I would like you to let me know if I have correctly appreciated your evidence. I understand that the Chamber does not wish to commit itself rigidly either to a system of Protection or Free Trade, but that they are of the definite opinion that in cases where certian industries require Protection and where circumstances and conditions in India are favourable and those industries could hold their own within a definite period of time, Protection should be accorded. Am I right in this conclusion ?

A. Yes, that seems to be a very fair summary. I have no criticism to make on it.

10600. *Q.* Further, the mere fact that once a protective duty is put on and there may be some difficulty in removing it would not weigh with your Chamber in any way ?

A. That I cannot say, because that is a point that we have not considered. It was not raised as it happened, at the discussion at the Chamber.

10601. *Q.* What is your personal view ? Would it be fair to take the prospective view into consideration; if you really felt that a certain industry required Protection, you would not consider whether hereafter it may be difficult to remove that Protection ?

A. I do not think so. We should always hope for the best.

10602. *Q.* You say in paragraph 6 speaking about tariff duties that the general level of duties is not high. You are referring to the duties in force in 1921 ?

A. Yes.

10603. *Q.* You will admit that though these duties are high, they have some sort of protective effect in the country ?

A. They must have.

10604. *Q.* And from that point of view you do not object to that high level of duties ?

A. No.

10605. *Q.* Your Chamber's well considered opinion is against the retention of the excise duty, because a part of this profit is diverted to the State, which is wrong in principle ?

A. That is not what we say.

10606. *Q.* You say " theoretically an excise in such circumstances would mean presumably that a share, or perhaps the whole, of the protective benefit conferred on the local manufacturer by the import duty would be diverted to the State." The State comes in for an illegal participation of the duty, which ought not to go to the State, but ought to go to the manufacturer. Is not that the opinion of the Chamber ?

A. What I understand is this. Supposing you have got a 5 per cent. duty say on Manchester goods; if there is no excise, the Bombay manufacturer gets the benefit of that 5 per cent. duty. He starts at a 5 per cent. better level. But Government by an excise can divert to themselves part or all of that 5 per cent. benefit.

10607. Q. That was a view which was never placed before us and we are thankful to your Association for placing that view before us and therefore I wanted to make it clear. You said in answer to Sir Edgar Holberton that in your opinion the 11 per cent. duty is getting near the limit of Protection ?

A. I do not think I said that quite. If I did, I did not quite mean that. I did not say the limit of Protection. You are not getting extra revenue on account of making things too expensive to be brought in. That is what I meant.

10608. *Q.* When you refer to that limit, you speak as regards the necessaries as well as luxuries ?

A. I speak about anything that is imported because if you are putting on a tariff for the purposes of revenue, you must not keep out your imports. You do not get revenue. Our view is that you can raise the tariff for revenue purposes as much as you like, provided you do not stop those goods coming in.

10609. *Q.* What would you do ? There may be a vast margin left between that and protection.

A. Do not use the word Protection. What I am trying to get at is stopping your imports, and therefore stopping your revenue.

10610. *Q.* The necessary corollary of what you say would be that Government is wrong in putting 20 per cent. duties on motor cars and other things ?

A. You must take the whole tarriff. If an article can stand it, you may charge 75 per cent. for revenue purposes.

10611. *Q.* It will have to be considered individually as to how far each article can stand it ?

A. Yes.

10612. *Q.* You would not mind even 75 per cent. if it could possibly stand it ?

A. If it could stand it, my Chamber would agree. They think that it is a very good way of raising revenue.

10613. *Q.* I accept the statement you have just laid down. But the evidence given by the Chamber is that you would make an exception in the case of an indigehous industry which could be killed by foreign aggression ?

A. You are jumping from one part of our evidence to another. The first statement was in reference to a tariff for revenue purposes. When we get on to the other part as regards Protection the Chamber have given what their view is and that coincides more or less with your best suggestion. Both the statements are perfectly correct, but hanging one on the other is not correct.

10614. *Q.* I want to show you that the line of demarcation where the tariff for revenue purposes stops and Protection comes in is simply imaginary and each case depends on various circumstances.

A. I do not think it is imaginary. It comes to a point in every commodity.

10615. *Q.* It is merely a matter of individual merit ?

A. Yes.

10616. *Q.* Mr. Mant referred to the primary and secondary object of tariffs. There too you cannot differentiate between the primary consideration and the secondary consideration, when the question of an industry comes in which needs support ?

A. I will take your word for it, but please don't put that into my mouth.

10617. *Q.* You also said that when a certain limit comes, direct taxation would be the proper course. I understood your remark that where your revenue duty comes to a standard where you cannot collect revenue, you would prefer direct taxation ?

A. I do not know whether we would actually prefer it. It is the only alternative, when you stop the other source.

10618. *Q.* That is, I suppose, from an academical point of view. Don't you think that in India there is not much further scope for direct taxation ?

A. I should like to think so. I think we shall have to raise some more money by direct taxation.

10619. *Q.* Which source would you recommend ?

A. I would sooner not say.

10620. *Q.* So we are reduced to this position that ultimately a tariff is a far sounder and far more economical way than direct taxation ?

A. From the very beginning we have been saying that a tariff is quite a good form of taxation, but it ought not to be pushed up until it ceases to be a form of revenue.

10621. *Q.* Then in your reply to Question No. 9, you are referring to hand-looms. I understand you would not protect hand-looms generally, but only certain special class of goods. You say " At the same time there is no reason why Indian hand-loom industries should not be encouraged in respect of certain special class of goods."

A. I do not think that means encouragement by Protection. The Chamber has no objection to the hand-loom industry. I do not think you can expect us really to treat the industry seriously.

10622. *Q.* You would encourage the hand-loom industry ?

A. Yes, but not to support it by Protection or taxation.

10623. *Q.* You would like to expand it as a cottage industry ?

A. We do not want to kill it or to be against it in any way.

10624. *Q.* In paragraph 10 you speak about the discontent that would be caused. You say, " and it is to be feared that there would be discontent in the meantime, more especially if Protection were general, and the consequent rise in prices was also general." Can you avoid discontent ? No policy, either tariff or direct taxation, could possibly avoid a certain amount of discontent ?

A. Quite so. There are many forms of policy that may or may not cause discontent. But there is one thing that always causes discontent and that is a rise in prices.

10625. *Q.* The rise in prices, *i.e.*, the cost of living would naturally adjust itself in time by rise in wages ?

A. In time perhaps, but a rise in wages is a sort of bad second.

10626. *Q.* The plea of discontent is not a very very serious matter which ought to come in our way in coming to a decision in a matter like this ?

A. I think you are a very bold man if you do not take that into consideration, because you have got a hiatus between the rise in prices and a corresponding rise in wages in which discontent may become acute.

10627. *Q.* In reply to Sir Montagu Webb, you said the less industries are nursed the better. You think that there should be no undue interference with industries which are not able to support themselves ?

A. For 'nursed' I would substitute another word 'cosseted.'

10628. *Q.* It would be capable of dubious interpretation.

A. I think it is a very well known word.

10629. *Q.* You do not mean to imply that you would really not nurse industries which by a little help would stand on their own legs?

A. That is fairly clear.

10630. *Q.* Speaking about the expert Commission, your Chamber think that the expert Commission must decide which industries require Protection and which do not?

A. Yes. We cannot see any other way. There are of course drawbacks to all Commissions.

10631. *Q.* Do you agree that this Commission is an expert Commission? If this Commission came to a conclusion that certain industries should be protected, would you regard it as a right ground for giving Protection to those industries?

A. I thought that this Commission was dealing with the whole fiscal question and not with particular industries.

10632. *Q.* It is part of our work to consider which industries should receive support. Every industry is represented before us and gives an opinion for or against, and so don't you think that this Commission is competent to give an opinion?

A. That is a leading question.

10633. *Q.* Don't you think that our opinion would be acceptable to your Chamber?

A. I can only say that the opinion of this Commission will be received with the very greatest respect by my Chamber and will be treated with the consideration that it deserves.

10634, *Q.* On the question of Imperial Preference you said that your Chamber would remain non-committal. I am very sorry to hear this from you. We are called upon to give an expression of our opinion on a very important question like this, and it seems to me very deplorable that we should be deprived of the valuable opinion of your Chamber. I understand from the whole tenor of your note that your Chamber does not see its way to differ from the conclusions arrived at in 1903 by Lord Curzon's Government. Is not that so on the whole?

A. That question was very carefully considered, and as I have stated in my answer to a previous question the last paragraph No. 13 was very carefully drafted, and I am afraid I cannot elaborate it.

10635. *Q.* Your Chamber is the premier Chamber in India, and to be deprived of your opinion is a serious matter. In my opinion your Chamber ought to have expressed a definite opinion one way or the other.

A. You are entitled to censure us if you like but you will not draw me into elaborating this paragraph.

10636. *Sir Edgar Holberton*: *Q.* On the question of excise duties, in answer to Sir Maneckjee Dadabhoy, I understood you to indicate that you would look upon the diversion of this money to Government as an evil?

A. Oh, no. It was Sir Maneckjee who suggested that it was an evil. I do not think it is an evil.

10637. *Sir Montagu Webb*: *Q.* I would like to have that point more clearly. Your Chamber does not object to the excise duty, because the revenue goes to Government?

A. Not in the least. I believe I am right in stating that they think that that is the only excuse for an excise duty.

10638. *Mr. Rhodes*: The Chamber has stated quite distinctly "but they can conceive that from a revenue point of view such may be sometimes justifiable."

10639. *President*: I will read their answer out as there is so much difference on that point. "The Committee do not support the imposition of these taxes, but they can conceive that from a revenue point of view such may be sometimes justifiable. Theoretically, an excise in such circumstances would mean presumably that a share, or perhaps the whole, of the protective benefit conferred on the local manufacturer by the import duty would be diverted to the State." As far as I understand it, it means that the import duty confers a certain amount of Protection to the industry which manufactures the same class of goods in India and that a countervailing excise duty would divert that part of profit, or Protection, which goes to the industry to the State. Therefore that industry does not receive the amount of Protection that it would otherwise do by means of the import duty. That is what you mean?

A. Yes. But we do not say that that is an evil.

Witness No. 71.

Mr. SAILENDRA NATH MITRA,, Managing Proprietor, Bande Mataram Match Factory.

Written statement, Calcutta.

10640. *Q.* 43. I was interested as managing proprietor of the Bande Mataram match factory, but I had to close it in 1913 for want of supply of requisite timber from the Government Reserve Forest. I am interested as a Director and promoter of the S. I. D. Company which manufacture penclis.

10641. *Q.* 44. There are great natural advantages for these two industries in this country. Timber for matches and pencils can be had in abundance in this country and this is the chief raw material necessary for these two industries. From Government publications it is easily found that these timbers can be had in profusion from the Indian forests; but unfortunately neither the Government nor the Forest Department take any interest to supply the requisite timber to me to help me in manufacturing these articles locally.

10642. *Q.* 45. Any industry developed in the country must, in one way or other, develop the natural resources of the country and thereby bring economic prosperity to the people and will as well enrich the country. It will in an indirect way be essential for national security.

10643. *Q.* 46. I have not travelled outside India, so cannot compare the organisation and equipment of these two industries in India and in other countries.

10644. *Q.* 47. I depend for the sale of my output on the local market.

10645. *Q.* 48. I had to compete with Japan and Continental countries like Sweden, Belgium, Germany and Austria and with the United States of America.

10646. *Q.* 49. I am informed that there are certain artificial organisations in these countries which enable them in selling these articles at a lower price in India than in the country of its origin. For instance, in pre-war days a match-box was used to be sold at two pice each in Japan and nearly one anna in Germany; and the same articles were used to be sold in Calcutta at three for a pice and two for a pice, respectively. From this it is apparent that there was some sort of artificial organisation in the country of origin which helped them in selling these articles at a lower price in the Indian market.

10647. *Q.* 50. Indian industries ought to be protected, for most of them are in an infant stage and therefore it is but natural that they should be protected against foreign competition. I cannot definitely state what rate of duty ought to be imposed on them, for they will vary with the quantity of the goods imported.

10648. *Q.* 51. I am morally sure that, if Protection is granted to the Indian industries at this stage, then they will in no distant future reach a certain stage of development when they will be able to face foreign competition without the aid of Protection and they will also be able to compete in quality and price in the foreign markets.

10649, *Q.* 52 to 55. I cannot say definitely about this.

10650. *Q.* 56. I think the existing match factories have benefited by the enhancement of the tariff.

10651. *Q.* 57. I do not know.

10652. *Q.* 58. No.

10653. *Q.* 59. In the case of matches, papers and chemicals are the raw materials used as finished products of these industries and which are being established in India.

10654. *Q.* 60. I would prefer Protection to all industries established in India or which are to be established in India and the amount of Protection necessary for each of such will be determined after consulting the proprietors and also from the quantity of articles of that kind imported into this country.

Oral evidence, Calcutta, the 13th January 1922.

10655. *President.*—*Q.* Mr. Mitra, you represent the Bande Mataram match factory?

A. Yes.

10656. *Q.* You are also a promoter of a company for the manufacture of pencils?

A. Yes.

10657. *Q.* As regards the last sentence of your answer to Question No. 44, will you please let me know what is your grievance?

A. I applied to the Government for match wood. That was in 1911 and the correspondence went on during 1911 and 1912, and after all I did not get any help.

10658. *Q.* Why? Do you think the Government's attitude was hostile to the development of your industry?

A. I cannot say exactly.

10659. *Q.* I want you to develop your grievance.

A. I developed my grievance before the Industrial Commission. If you will kindly refer to their Report you will find it.

10660. *Q.* Do those conditions continue even now?

A. Last week I met the Conservator of Forests, and still he said the same thing.

10661. *Q.* What did he say?

A. He said "I will try, and I will see all these things." They say these woods are to be had in profusion, and they say they are not even used for fuel. I asked them if they would reserve these for me, so that I could have an equal amount every year. They said in reply to my letter "I am to state that the Forest Department does not desire to perpetuate species of such little value." That is the reply I got from the Secretary to the Government.

10662. *Q.* Do you think that the timber required for manufacturing matches is valuable?

A. I want it for a special purpose. Why do they not consider it as valuable?

10663. *Q.* Do you allege that your difficulty is the hostile attitude of the Government?

A. I do not allege that Government is hostile, but if you think it to be so, it is.

10664. *Q.* How can the Commission come to any decision about it?

A. If you so require, I can place all the correspondences before you.

10665. *Q.* But can you give us the reasons which Government have put forward for refusing to reserve the forest?

A. They have not given any reasons. They say "You purchase those trees from the contractors who fell them." Under the present procedure they divide the forest into blocks A, B, C, D, etc., and sell the blocks by auction to different contractors. How can I purchase from 20 individuals? They are all illiterate people and they do not know how to read or write English. To correspond with them all is a difficult thing. I saw Sir Thomas Holland after the Industrial Commission had finished its work, and represented my case to him, and he advised me to address the Government again and suggest his name. I did so, and the correspondence is still going on. I began from 1918 and that is still going on.

10666. *Q.* You offered, of course, to pay the market value?

A. Certainly. I offered to pay the actual cost which Government would incur for felling the timber, for carrying it to the station and loading it on the wagons *plus* the royalty. Of course in the case of royalty I suggested that the charge should be at the rate of 6 pies. per cubic ft.

10667. *Q.* They were supplying to the tea industry?

A. Now-a-days I learn, though I am not sure of this, that whole forests have been leased out to these tea garden owners.

10668. *Q.* No permission to acquire leases was given to the match industry?

A. No.

10669. *Q.* Do you think that you could successfully compete with those countries that are selling matches in India?

A. In pre-war days my cost of manufacture used to be about 9 annas a gross, and I used to sell at 10 annas. The Swedish matches used to sell at 13 to 14 annas a gross. My only difficulty was with Japan. There was one brand in the market which they used to sell at 8 annas a gross. Of course, it was an inferior quality.

10670. *Q.* What is the condition now?

A. I cannot tell you exactly. I am not in touch with the market. I am not manufacturing matches now. Without wood how can I manufacture?

10671. *Q.* You have stopped working your factory?

A. Yes. Since 1913 I am not working.

10672. *Q.* Because Government will not help you with wood at market rates?

A. Yes. If you want I can supply you with all the copies of the correspondence which passed between me and Government.

10673. *Q.* You put forward this grievance before the Industrial Commission and still nothing was done?

A. Yes. You will find my name in Mr. Swan's report. When he investigated this during the war period he specifically mentioned that I should get some help. Still, nothing was done.

10674. *Q.* What became of your plant?

A. They are all lying in my factory. If you will kindly see Mr. Swan's report you will know everything.

10675. *Q.* In answer to Question No. 49 you say that you are informed that there are certain artificial organisations in these countries which enable them in selling articles at a lower price in India than in the country of its origin. That is dumping, is it not?

A. In one way, it is so.

10676. *Q.* How are they able to manage it?

A. I do not know. I have not been to these countries. People who have returned from these places say that matches used to sell at two pice each in Japan while the same used to be sold here at 3 for a pice.

10677. *Q.* That is to say, they are selling 6 boxes in India for the price of one box in Japan?

A. Similarly in Germany match boxes used to sell at 3 pice each while the same boxes were sold in India at two for a pice.

10678. *Q.* The quotations that you are mentioning were retail sales, is it not?

A. Of course.

10679. *Q.* Local sales were also retail or were they wholesale?

A. Retail sales.

10680. *Q.* In answer to Question No. 50 you say that you cannot definitely state what rate of duty ought to be imposed for they will vary with the quantity of goods imported. There is a very heavy duty now on imported matches. Do you think that it is adequate to establish the industry in India?

A. Yes.

10681. *Q.* If Government give adequate help in the matter of timber and other things, can the industry be successfully worked?

A. Certainly, it can.

10682. *Q.* You say that if the industry is once established under Protection, then, in course of time, a certain stage of development will be reached which would enable you to face foreign competition without the aid of Protection. Will you please tell us why you say so?

A. At the infant stage it requires to be protected.

10683. *Q.* What special advantages exist in India for this industry which would enable matches to be manufactured which would successfully compete with the foreign imports without any further aid after a certain period?

A. All the raw materials required are available in the country. When our people are sufficiently trained, they will turn out more than the quantity which they are producing in Germany or Japan. In that case the cost of production will gradually become less.

10684. *Q.* You will need to import chemicals for your industry, is it not?

A. I have to import some of them, but they can also be manufactured in India. Mr. Criper of Messrs. Waldie & Co., promised to supply some chemicals required by me. If there is a demand for these chemicals in this country, there will be some body to manufacture them.

10685. *Sir Maneckjee Dadabhoy.*—*Q.* You said that you have closed down your factory. How many factories are there now in existence in India?

A. In India proper I think there are two only, one at Ahmedabad and the other at Bilaspur.

10686. *Q.* Are they small or big factories?

A. They are big factories.

10687. *Q.* Do you know what is their production?

A. I do not know. I went to Bilaspur once and at that time they used to produce 800 to 900 gross a day.

10688. *Q.* Where does the Ahmedabad factory get its timber from?

A. I do not know.

10689. *Q.* You have not made enquiries in that connection?

A. No.

10690. *Q.* Of Bilaspur you have personal knowledge?

A. Yes. I went there myself. They get timber from the forests of the Central Provinces. Government have allowed them.

10691. *Q.* That is to say, the Central Provinces Government is rendering help in that matter?

A. Yes. I am told the Burma Government is rendering some help to promising factories started at Rangoon and Mandalay.

10692. *Q.* I understand from your evidence that there is a sufficient quantity of timber in the country, that you can also get your chemicals, but that you have not got the facilities for getting hold of the timber?

A. Yes.

10693. *Q.* Have you got a large quantity of the requisite timber in Bengal?

A. Yes.

10694. *Q* Can you specify the forests?

A. In the Darjeeling and Sunderbans forests.

10695. *Q.* Are they Government lands or malguzari?

A. They are all Government lands.

10696. *Q* In answer to Question No. 49 you say that dumping is going on. If you have the facilities, namely, acquiring of leases from Government, chemicals and timber, would you be able to stand against this dumping?

A. I cannot exactly say now. But at the time that I was manufacturing matches, I used to produce matches at prices which were lower than the prices at which German matches were sold in Calcutta.

10697. *Q.* This was before the war?

A. As I have already said several kinds of matches used to come from Japan. Only one brand used to sell at a lower price than my matches.

10698. *Q.* I understand that in 1913 you were able to compete against Germany and Japan?

A. Yes.

10699. *Q.* In spite of the dumping?

A. Yes.

10700. *Q.* Your present argument is that you think that it is quite possible even at present, with these facilities, to stand competition?

A. Most probably, if I am allowed some time, because I have to train my workmen.

10701. *Q.* You think that the present duty of 12 annas per gross is sufficient. Do you want any further Protection in addition to Government help? Will you be able to stand against dumping with the duty of 12 annas a gross and facilities for acquiring the leases for obtaining timber?

A. No. I don't want any further Protection.

10702. *Mr. Mant.*—*Q.* What timbers do you use for your matches?

A. At first nobody knew what timber was produced and what timber would be suitable. I wrote to Berlin to supply me match machinery and requested them to mention any timber suitable for match-making which could be got in Bengal and to send a box of sticks. They sent me some samples and mentioned the names of certain timbers. I do not know from where they got them.

10703. *Q.* Were they Bengal timbers?

A. Yes. The timber was called Evodia Franivitalia locally called Khanakpa and it was available in the Darjeeling forests. I wrote to Mr. Pearson, at Dehra Dun. He said that these timbers could be got and arranged to send me down some samples. I worked with those samples and found them very good. The Sunderbans timber is the Geon. There were two other timbers which the Forest Department sent down to me. I have forgotten their names. I examined them and found them suitable.

10704. *Q.* Did you try the cotton tree—and sombax?

A. I tried it and found it suitable.

10705. *Q.* Is it grown in Bengal?

A. Yes.

10706. *Q.* Are these trees grown in compact blocks or in scattered areas?

A. Of course in forests all the trees are scattered.

10707. *Q.* In scientifically grown forests trees are grown in compact blocks?

A. Most probably they are all scattered, because in forests trees are all scattered.

10708. *Q.* Does the Bengal Forest Department extract the timber and then sell it themselves?

A. No. They sell in blocks to the contractors. They mark the trees to be felled and sell to the contractors by auction, and the contractors take out all the marked trees in the block.

10709. *Q.* Did you try to get a block and take out all the trees?

A. No.

10710. *Q.* If you had done that you would probably have been able to keep the timber which you wanted and sell what you did not want?

A. That is another business altogether. It is not in my line.

10711. *Q.* I want to get at the Government side. They sold the various blocks to the contractors. They do not sell the timber themselves and therefore they could not sell to you the particular timber which you wanted. Having sold to the contractors, Government told you to buy the timber from the contractors. That is the position I believe?

A. Yes. But they could have easily managed with the contractors to send these trees to me at fixed prices, which they knew.

10712. *Q.* I suppose they only deal wholesale with the contractors. Why could you not make terms with the contractors?

A. There was not one contractor. There were 20 or 30 who had purchased the blocks. A whole block will be about 10 square miles. 2 square miles will be taken by one contractor, 2 by another and so on. Again, there is also this difficulty. As I said, the trees are all scattered. In a particular block there may not be any tree that I want, but in the next block there may be 20 or even 100 trees.

10713. *Q.* I understand that what you wanted Government to do was to make conditions, when selling these blocks to the contractors, that they should sell a particular wood at a particular price to you. Is that what you wanted?

A. Yes, either to give it to me direct or through agents by employing contractors on my behalf and charging me actual cost, or manage it in anyway which they thought suitable with the persons who would purchase the blocks from them.

10714. *Q.* I suppose that is your real difficulty. The Government sold them to the contractors and left you to deal with the contractors?

A. That is what they told me.

10715. *Q.* As regards the concession for tea chests, I suppose Government sold the blocks and left it to the concessionaires to extract the timber?

A. I do not know. But Mr. Millward told me the other day that now-a-days if I had to purchase anything I would have to purchase from the persons to whom the lease has been given by the Government.

10716. *Q.* They have leased the whole block?

A. Yes.

10717. *Q.* They would lease one to you and you do not want it. I think that is the position?

A. Because that is not in my line.

10718. *Q.* But the position is that the tea chests companies are prepared to take a whole block, while you are not?

A. Of course, they have got local influence there. They are working there, and they are in that line. They can sell other timbers to others.

10719. *Q.* You cannot manage that?

A. No.

10720. *Q.* I see your difficulty, but I do not see a way out of it. You also refer in your evidence to pencils. Are you manufacturing pencils?

A. Yes.

10721. *Q.* You say that timber for pencils can be had in abundance in this country?

A. Yes. I have said so.

10722. *Q.* We had a gentleman the other day who has travelled all over India. He said that the only place to get suitable wood is Baluchistan. Is that your experience also?

A. Yes. I have been there myself for want of pencil wood. They are also in Garhwal.

10723. *Q.* But Baluchistan is 1,700 miles by rail.

A. Of course that is a difficulty.

10724. *Q.* When you say that timber can be had in abundance in this country, are you referring to Baluchistan?

A. No. I refer to Garhwal, the Garhwal forests near Hardwar.

10725. *Q.* How far is it?

A. About 800 miles from here. In the Government forest memoirs it was even said that they could supply that timber in Calcutta at Rs. 75 a ton.

10726. *Q.* You could use the whole of it for yourself?

A. Yes.

10727. *Q.* Would not there be a lot of waste?

A. Of course there is bound to be waste.

10728. *Q.* Is it not uneconomical to bring it 800 miles and pay freight on waste timber?

A. They used to supply them in sleepers. So almost half the waste product is left behind.

10729. *Q.* Can you get these sleepers now?

A. No.

10730 *Q.* Why not?

A. I wrote to Government, but I did not get any reply. Those are the United Provinces forests. I do not know whether they have got any more of that timber in large quantities. It is said that they have not got that timber.

10731. *Q.* You have not had any reply, so you cannot say what their attitude is. You said just now that chemicals are locally made. Can you get all the chemicals for your produce locally made?

A. Mr. Criper of the Bengal Chemical Works told me that he could supply me at least ¾ths of my requirement. One-fourth I would have to get from elsewhere, either from London or Berlin.

10732. *Q.* You mean ¼ in quantity?

A. Yes.

10733. *Q.* They form a considerable part of the cost of your manufacture, do they not?

A. Yes. I require potassium chlorate. Mr. Criper said that instead of using chlorate I might try and make matches with nitrate. He promised to supply me with nitrate. Sulphur powder also he used to supply me.

10734. *Q.* Sulphur is imported and pays 11 per cent. duty?

A. I do not know how much the duty is.

10735. *Q.* When you say that the chemicals are supplied here, you mean imported chemicals?

A. I do not know whether they make them themselves, or import them and sell them to me. The supply of chemicals in recent years has been one of the chief difficulties in match making in this country. I believe they were procured from factories somewhere.

10736. *Q.* Was there not a match factory at Bareilly?

A. Yes.

10737. *Q.* Why have they closed down?

A. I do not know why they have closed down.

10738. *Q.* Referring to Germany as one of the competing countries in matches, were the matches that came here actually German matches?

A. Yes.

10739. *Q.* They were made in Germany?

A. Yes. They were made in Germany, and in Austria also. There were a number of brands coming in before the war. I think that half the total quantity of matches in Calcutta were German matches.

10740. *Q.* They were coming in very cheap?

A. Yes. They used to sell at two for a pice here.

10741. *Q.* Are they selling cheap now?

A. I do not know. I think they are a pice each.

10742. *Q.* Are they still dumping them?

A. I cannot tell you. I am not in touch with these things.

10743. *Q.* Matches are practically a necessity in this country. They are used by the poorer classes?

A. Yes.

10744. *Q.* You are not asking for any further Protection for the industry?

A. No.

10745. *Q.* It may be argued that there is no harm in allowing the poorer classes to get these cheap matches?

A. If manufactured in the country they can get them cheaper.

10746. *Q.*-Is that your case that you can make them cheaper?

A. Yes.

10747. *Mr. Birla.*—*Q.* You just now mentioned that some match factories are working in Ahmedabad and Bilaspur. Will you kindly let me know where they get their timber from?

A. I said just now that Bilaspur gets its timber from the Central Provinces forests. I cannot say exactly where the Ahmedabad factory gets its timber.

10748. *Q.* They do not have the same difficulties in getting timber which you used to have?

A. I do not know. As regards Bilaspur, I was told that there was no difficulty.

10749. *Mr. Rhodes.*—*Q.* I understand that if you get your supply of timber you can re-open your factory?

A. Certainly.

10750. *Q.* You are waiting for an opportunity to do so?

A. Yes.

10751. *Q.* You used chemicals which are imported?

A. Yes.

10752. *Q.* You told us that you would be able to get on without any further Protection?

A. Yes.

10753. *Q.* If the prices of these chemicals were advanced 20 per cent. owing to duties on them, would you still be able to carry on or would you want more Protection?

A. I think as the price stands at present, there will be no necessity for any further Protection.

10754. *Q.* Suppose you had an advance of about 20 per cent. on chemicals. Would you then require any further Protection?

A. No.

10755. *Q.* There will still be a margin for you?

A. Yes. In pre-war days I used to manufacture matches at 9 annas a gross and sell them at 10 annas a gross. Now the price has advanced to Rs. 1-12-0 a gross on account of the duty. So even if there is an increase of 20 per cent. I think I will be able to compete.

10756. *Q.* Your profits might be slightly reduced, but you will be able to compete?

A. Yes.

10757. *Mr. Coyajee.*—*Q.* What is the present duty on matches?

A. Of course Mr. Chairman told us 12 annas a gross.

10758. *Q.* What is the present price?

A. I believe Rs. 1-12-0.

10759. *Q.* Then the duty comes to 75 per cent.?

A. Yes.

10760. *Q.* The disadvantage is so great that in spite of the 75 per cent. duty, you find it difficult to compete?

A. I don't follow you.

10761. *Q.* You used to compete before the war with foreign countries?

A. Yes.

10762. *Q.* Now that the prices are so much higher, why can't you compete?

A. I can, but the difficulty is about wood.

10763. *Q.* The same difficulty existed before the war of getting wood?

A. Yes and that is why I had to close down.

10764. *Q.* Are not the foreign match factories conducted on a much larger scale?

A. Of course they are.

10765. *Q.* And that is one of the reasons why they could put down matches so much cheaper here?

A. I can't tell you exactly.

10766. *Q.* The industry is essentially one in which a large scale of production prevails?

A. That may be.

10767. *Sir Montagu Webb.*—*Q.* In reply to Question No. 50, you say that Indian industries ought to be protected because most of them are in the infant stage?

A. Yes.

10768. *Q.* Do you consider that the match industry requires any further tariff Protection?

A. No. The match industry does not require any further Protection.

10769. *Q.* What about pencils? Do they require any further Protection?

A. I don't think that pencils require any further Protection.

10770. *Q.* You don't consider that the industries in which you are interested require any further Protection?

A. No.

10771. *Mr. Narottam Morarjee.*—*Q.* How much timber do you require for a large factory?

A. When I applied, I applied for 20,000 maunds a year.

10772. *Q.* The timber which they use for deep paints is the same that you use for making matches?

A. I cannot tell you.

10773. *Q.* I am told that the Ahmedabad and some other match factories tried to import match sticks from Sweden and Norway and make matches and that they successfully competed with foreign countries. Have you ever tried to do that?

A. No.

10774. *Q.* For your pencil factory, where do you get your wood from?

A. I am getting wood from America.

10775. *Sir Edgar Holberton.*—*Q.* You said that you applied for 20,000 maunds?

A. Yes.

10776. *Q.* That is about 750 tons?

A. Somewhere about it.

10777. *Q.* The Forest Department system of plots means that you have to take all the wood as they come?

A. Yes, if you purchase a plot. If you do that, you go into a totally different business.

10778. *Q.* Involving very heavy capital?

A. Not only that ; it involves labour, knowledge, ways of disposing of the remainder of the wood and all those things. That is not in my line.

10779. *Q.* What I cannot understand at all is why you cannot come to terms with some responsible persons?

A. I came in contact with one of the Forest Officers and he supplied us with our requirements for 6 months. I never heard from him again and I do not know why he stopped supplying us.

10780. *Q.* Is there in the forests a good supply of the timber you want ?

A. From the letter I have with me, it appears that they have got plenty of these timbers. But I have no personal knowledge.

10781. *Q.* Don't you think that it would be a good plan to send up one of your men and see whether there is any good supply ?

A. It would be difficult to know how far the forest extends, where these woods could be had, etc. To do all these things would be a difficult thing, whereas the forest people who are in the forest and going through it almost daily can say how much timber of this kind can be had.

Witness No. 72.

The Superintendent, Calcutta Research Tannery.

Written statement, dated the 9th January 1922.

10782. *Q.* 43. Yes. I am interested in the tanning industry and in the manufacture of such goods as boots and shoes, leather trunks, suit cases, etc., as expert and manager, National Tannery Company, Limited, and Superintendent, Calcutta Research Tannery.

10783. *Q.* 44. Yes. There are many natural advantages for the tanning industry in India among which the following may be specially mentioned.

(*i*) Plentiful supply of raw hides and skins.

Under normal conditions, 50-60 millions hides and skins are exported annually from India. Besides, quite a large number are tanned and consumed in the country of which no statistics are available.

(*ii*) Abundant supply of tanstuffs, both vegetable and mineral.

Of the vegetable tanstuffs, babul, turwad and myrabollams are known to produce excellent leather and are extensively used by Indian tanners.

Recent investigations have indicated that the Indian forests are teeming with commercially useful tanstuffs, some of which are being tested practically in the Calcutta Research Tannery.

Besides the tanstuffs mentioned above, supplies of oils, fats and waxes are not inconsiderable. Tallow, castor-oil, linseed oil, sesame oil and mineral oils, bees-wax, paraffin wax, etc., which are essential in tanning are found in sufficient quantities locally.

(*iii*) Indian waters on analysis have been found quite suitable for tanning purposes.

(*iv*) In India there is a tanners' caste called "chamars" who are accustomed to crude methods and could be very easily trained into skilled labourers.

(*v*) Tropical heat injures raw hides and skins if they are not promptly cured after flaying. Indian hides and skins are preserved for export by dry salting and drying. Leather of a better quality is turned out from the fresh or wet salted hides and skins than from dry and dry salted ones. Hence local tannage would not only prevent wastage by the prompt despatch of hides and skins to the tanner, but would lead to greater economic prosperity by improving the quality of the leather turned out from Indian hides and skins.

10784. *Q* 45. Development of the tanning industry in India is essential. In normal times hides and skins to the value of sixteen crores of rupees are exported annually. If these raw stocks are successfully manufactured into high class leathers and leather goods, hundred per cent. premium could be expected. The industry would give work to thousands of Indians and thus by solving the bread problem to a great extent would contribute towards the removal of the causes of present unrest.

Our experience of late war is that leather is an absolute necessity in the army equipment. In the late war, India supplied tanned cow and buffalo hides to the United Kingdom to the value of $4\frac{3}{4}$ crores of rupees. An equally large stock of hides was consumed in the country in the equipment of the army in India.

The supply mentioned above was not considered sufficient by the Munitions Department of the Government of India. They desired to increase the output and for careful conservation had to take over control of some private tanneries.

It ought to be the aim of India, with her enormous raw stock, to meet her demands for leather locally.

10785. *Q.* 46. The state of organisation and equipment of the tanning industry in India is crude in comparison with that in countries like America, Germany and the United Kingdom. Excepting a few modern tanneries which are of recent development, most are of a primitive type and their methods quite a century old.

The existing organisation for the purchase of hides is adapted more to the export trade than to the local tanning industry.

The hides and skins are cured for preservation mostly by drying, whereas it would be more to the interest of local tanners if they could be supplied either in the fresh or wet salted condition.

Hides and skins at present are usually sold in big assorted lots, and these are not always convenient for the average local tanners to buy. They can neither have the number of pieces they want nor the selections to their choice. Consequently, they have to fall back upon the few slaughter houses to get their supplies from.

The methods of dealers in tanstuffs are equally unsatisfactory. There is no standardisation. The stuffs are sold in haphazard manner. For the safety and development of the industry a regular classification of the stuffs according to their purity is necessary and their prices should be fixed on the percentage of their tannin content.

The condition of manufacture leaves much room for improvement. In India we find two classes of tanneries, one, the small tanneries using old indigenous methods and another, modern power-driven tanneries, equipped with up-to-date machinery. The former are by far larger in number than the latter. In all other provinces in India excepting Bombay and Madras these small tanneries produce crude leathers from local hides and tanstuffs to meet local demands. In Bombay and more especially in Madras, these small tanneries produce the well known half-tanned leathers, which are exported to England for distribution from there to different European and American countries.

These half-tanned leathers have been appreciated by the Western leather dressers and leather goods manufacturers. According to some experts, their tannage is excellent and cannot be much improved.

Among the power-driven modern tanneries, those at Cawnpore are chiefly engaged in the production of vegetable tanned leathers by modern methods. Their efforts have resulted in the training of both skilled labour and foremen who are mostly Indians.

The other bigger establishments, mostly situated in Bengal and Madras, are engaged in crome tanning for the production of box sides from kips. The tanneries are equipped with up-to-date plants which are under the supervision of either Europeans or Indians trained in Europe. But they have not been able as yet to adapt modern western methods of tanning to Indian conditions. Much preliminary difficulties have, however, been overcome and the solution of the remaining problems seems only to be a question of time. One of the difficulties is the training of labour to work machinery and training of Indian foremen to supervise labour and to control the different processes involved in chrome tanning.

For the disposal of the manufactured leathers certain difficulties are experienced ; and this may be attributed to the absence of any organised boot and shoe and leather goods manufacturing industry in the country.

The chief consumers of the products of Indian tanneries are the small indigenous leather goods manufacturers scattered all over the country. Distribution of the output among them is at present a serious handicap to the tanners.

The prospect of the tanning industry in India depends much on the extension of market and the growth and development of allied and key industries.

10786. *Q.* 47. The Indian tanneries depend chiefly on the local market for the disposal of their output. Only the halftanned leathers to the value of 4½ crores of rupees mentioned above are exported abroad. Since the war, new markets have been found in Mesopotamia, East Africa and Straits Settlements.

For further development of the industry we should try to push for favourable markets in Europe and America.

10787. *Q.* 48. In the Indian market foreign competition is keen for high class leathers only; for low grade leathers there is not much foreign competition.

In other countries, where Indian finished leathers are sold, competition is keen with German and American leathers. As a matter of fact, Indian leathers could find an entrance in these markets only when supplies from Germany were cut off on account of the war.

Competition varies with the different classes of goods.

10788. *Q.* 49. The chief countries, the competition of which we are to meet at present are America and Germany and, to a certain extent, also the United Kingdom.

The circumstances in their favour are—

(*i*) More favourable climate ;

(*ii*) Better quality of certain classes of local raw materials ;

(*iii*) The presence of several key and allied industries including in the latter, industries for the utilisation of bye-products.

(*iv*) Protective tariff.

In Germany and America heavy duties are imposed on the import of the finished leather and leather goods and export duties on raw hides and tanstuffs.

and

(*v*) The advantages of old establishments.

The old established factories in Germany, Austria, America and the United Kingdom give them the advantages of skilled labour and in some cases of the block and the old plants being already paid up and of huge accumulated reserves at their credit.

10789. *Q.* 50. To develop the tanning industry in India, Protection is essentially needed. The export duty of 15 per cent. with 10 per cent. rebate, if hides and skins are retained within the Empire for tannage, will no doubt be of great help, but over and above this a substantial duty on the import of leather and leather goods is necessary to save the infant industry of the country from being killed specially by German and American competition. I propose a duty of 20 per cent. on finished leathers and 25 per cent. on leather goods. My reason for doing so is that the German and American leather industries, on account of their already existing thorough organisation, efficient equipment, vast reserves accumulated during the past half a century, have got at least 20-25 per cent. advantages over us.

Besides, they have got protective duties on the import of leather and the export of raw hides from their countries, whereas foreign raw materials are allowed to be imported free.

It is the system of Protection which fostered the growth of tanning industry in Germany and killed the flourishing kip tanning industry of the United Kingdom.

In recommending this duty I have got in view the development of tanning in India of cow hides and goat skins for the production of upper leathers for boots and shoes. The former used to be exploited by the Germans and Austrians before the war and the latter by the Americans even at present.

Good leathers are manufactured from these materials in Europe and America. The war already done in India indicates that the manufacture of similar leathers is possible also in this country. If Indian leather industry be fostered by legitimate Protection, it is expected that in course of time it would be in a position to export finished leathers instead of raw hides and skins. The fear that protective tariff might hamper the Indian hide trade has got no foundation.

A close study of the export trade of Indian hides and skins since 1887 shows how gradually the prices of hides and skins have increased and how they have been more and more appreciated by the European and American tanners. It is also a fact that no other country in the world, excepting perhaps South America, has got so much exportable surplus of hides and skins as India. From this it appears that the world can not do without Indian hides and skins and that being so, it would not be possible for her to do without Indian leathers if the export of raw stock is stopped.

10790. *Q.* 51. The industry will require Protection till it reaches the same level of development as in the competing countries with the advantages of key and allied industries.

With the development of the tanning industry it is essential that factories to manufacture tanning machineries, extracts and dyestuffs should also be developed.

The industry will not be in need of Protection when it reaches the stage mentioned above.

10791. *Q.* 52. The present tanning industry in India suffers from dumping, but this is not so much due to the import of foreign leather as defective distribution of the output of the existing Indian tanneries. The remedy lies in the extension of the internal market chiefly by the development of the leather goods manufacturing industry and by finding markets abroad for Indian leather and leather goods.

10792. *Q.* 53. Not much.

10793. *Q.* 54. Temporary.

10794. *Q.* 55. No remedy needed.

10795. *Q.* 56. The industry has been benefited by the successive enhancements of tariffs. The local production of leathers and leather goods has considerably increased and the import diminished. Leathers and leather goods made in this country are finding more extensive use.

10796. *Q.* 57. The tanning industry has not suffered on account of export duty on raw hides and skins; on the contrary, the imposition of duties which caused the temporary suspension of export of raw hides and skins led to the establishment of many small tanneries.

10797. *Q.* 58. The finished product of the tanning industry is entirely used as raw material by an industry like the leather goods manufacturing industry, etc.

10798. *Q.* 59. Yes. The industry uses as raw materials such products as tanning extracts, dyewood extracts, chemicals, etc. Some of these are already manufactured in the country, and others are likely to be so in near future.

10799. Q. 60. I would prefer a system in which the industries would receive Protection in varying amount in accordance with their needs.

Mr. B. M. Dass, Superintendent, Calcutta Research Tannery, Calcutta, the 13th January 1922.

ORAL EVIDENCE.

10800. *President.*—*Q.* You are Superintendent of Calcutta Research Tannery ?

A. Yes.

10801. *Q.* You are interested in the manufacture of boots, shoes, leather trunks, suit cases, etc. ?

A. Yes.

10802. *Q.* You are an expert and manager of the National Tannery Company, Limited ?

A. Yes.

10803. *Q.* How long have you been interested in the leather industry ?

A. I have been interested in India since 1914.

10804. *Q.* What do you mean by "in India" ?

A. Previously, I had my training in Europe. Practically I had been interested since 1909, for five years in Europe and since 1914 in India.

10805. *Q.* I suppose the statements you make are the results of your experiments and experience ?

A. Yes.

10806. *Q.* You say you know as a matter of fact that forests in India are teeming with commercially useful tanstuffs ?

A. Yes.

10807. *Q.* You further know that Indian waters on analysis have been found quite suitable for tanning purposes ?

A. Yes.

10808. *Q.* We have been told by another authority that all the waters in principal towns in this country were examined and found wholly unsuitable for tanning first class leather. Will you please tell us on what grounds you say that Indian waters, on analysis, have been found quite

suitable for tanning purposes? They may be quite useful, but are they really of such usefulness as to produce the best leather?

A. The best leather is not turned out from water alone. There are other factors.

10809. *Q.* Are the waters suitable to bring out that result, other things being equal?

A. I can affirm that.

10810. *Q.* That is the result of the analysis carried on by you?

A. I have made a survey of all the waters practically from the chief tanning centres of India. I got water from the Central Provinces and waters from Madras, from Bombay, from Cawnpore, Allahabad, the Punjab, the chief centres of tanning of these provinces and several waters from different parts of the Ganges and I got these waters analysed at the Calcutta Research Tannery, and then I compared them with the waters that are used in Europe so far as I could find their analyses in Books. I found that among European waters there are some even in the most reputed districts which are worse than Indian waters. And still the leathers turned out in those districts have got a very good name.

10811. *Q.* Have you by any chance compared with Indian waters the Philadelphia water? We have been told that it is the best in the world for tanning purposes.?

A. I have not got any water from Philadelphia, but in this connection I may say that in Philadelphia chrome tanning is in vogue and in chrome tanning water does not play such an important part as in vegetable tanning. In the process of chrome tanning water is not of great importance as water is rectified in the processes of tanning.

10812. *Q.* In answer to Question No. 45, you mention that India exports hides and skins in normal times to the value of 16 crores of rupees per annum and then you go on to say that if these raw stocks are successfully manufactured into high class leathers and leather goods, hundred per cent. premium could be expected. I would ask you whether under Indian conditions and taking Indian hides and skins as raw material, you could manufacture high class leather and leather goods?

A. Well, at one time it was supposed that India was totally unfit for the production of any marketable class of leather, but the work of the last 12 or 13 years has shewn that marketable leathers, marketable in India at least, could be produced under Indian conditions.

10813. *Q.* I should think that marketable leather and high class leather are two different things. Can you manufacture high class leather from Indian hides and skins under Indian conditions?

A. My answer is that it is possible to manufacture high class leathers from Indian hides and skins, not from all but from some grades of hides and skins. But if we apply without charge the processes that we know at present, that is the processes of tanning which have been developed mainly in Europe and America to Indian conditions, then it is not possible to manufacture. But if those processes are modified to suit the Indian conditions of temperature and climate, then it is possible.

10814. *Q.* Has this been attempted in any part of India?

A. Yes.

10815. *Q.* And has the turn-out been really high class leather?

A. High class so far as they can be manufactured from Indian leather.

10816. *Q.* It is high class, is it not?

A. Yes, for instance, leathers manufactured from Indian hides and skins are quite as good as they can be manufactured under European conditions from the same class of goods. Of course, we have to adapt the processes to suit Indian conditions.

10817. *Q.* In answer to Question No. 46 paragraphs 2, 3 and 4 you say "the existing organisation for the purchase of hides is adapted more to the export trade than to the local tanning industry; the hides and skins are cured for preservation mostly by drying, whereas it would be more to the interest of local tanners if they could be supplied either in the fresh or wet salted condition. Hides and skins at present are usually sold in big assorted lots, and these are not always convenient for the average local tanners to buy." Will you please explain what the difficulties of the tanneries are in obtaining their raw materials? Why do you say that the trade is carried on primarily for export purposes?

A. There are disadvantages for two reasons: first, as I have explained that if local tanneries get hides in fresh, not dried, or preserved by salting in wet condition, it is much more easy for them to work and the class of goods that could be manufactured is also better in quality, because drying changes the condition of the hide and, I believe, sometimes spoils the hides altogether. Secondly, as the hide collectors and the dealers in hides chiefly do the collection for the export trade, they dry the hides and do not care to send them to Calcutta or to other centres in the wet salted or in fresh condition. They always dry the hides and from dried hides it is very difficult to select good ones from bad ones. This is against the tanners' interest and secondly the dealers who bring the hides for sale in the godowns at Calcutta or at Cawnpore do not sell in small lots. I am a tanner myself. I have got experience for the last 8 years. In Calcutta I have not been able to purchase one single lot successfully. If I go to the Calcutta godowns they ask 'how much will you take,' I say "500." "Here is a lot of 5,000 and would you have that," they reply. I say, "I cannot." Well, then, they say, they do not care to sell. This is the sort of reply they give or if they condescend to sell, they quote such high rates that it is impossible to get them. That is the chief difficulty. We are amongst hides. It is as if we are in the sea, yet we cannot get a drop of water. It is like that in Calcutta; we cannot get hides when the export trade is in full force. The hides are all mixed up. The shippers buy assorted lots, they take them to their own godowns and reclassify them into their own selections and then transport them to Hamburg and other places, where the German or other foreign tanners get the advantage of buying in classified lots to their own requirements whereas we don't get such advantage.

10818. *Q.* Why don't you buy up-country from where the supplies come to Calcutta?

A. We have to do it. In order to buy up-country, we must have a big organisation and send our men to each collecting centre.

10819. *Q.* You say that the prospect of the tanning industry depends much on the extension of the market and the growth and development of allied and key industries. How do you expect to get your extension of markets?

A. Extension of local market we expect, if we have got more boot and shoe factories and other leather goods manufactories such as leather trunks and leather boxes and other things which can be turned out from leather. That is local. But the chief extension that we want is in foreign markets. India is not after all so much a leather consuming country as Europe or America. Here how many people wear shoes? Only a very few. But in Europe and America as you know everybody must have a pair of shoes at least. There the consumption of leather is by far greater than here.

10820. *Q.* How do you expect to do it? You say that you should try to push your manufactured goods into European and American markets. How are you going to succeed in it?

A. My idea is that we must develop the leather industry in this country and produce a fairly decent quality of leathers and then put these leathers into the European markets.

10821. *Q.* Do you think that you will be able to establish a paying trade in this country?

A. I expect so. There is nothing which can prevent us from making an experiment to establish a paying trade, if we only get the raw materials and if we get sufficient time and scope to bring our industry to a little higher stage than what we have got now.

10822. *Q.* Do you think that there are possibilities?

A. Great possibilities.

10823. *Q.* Then you say that in Germany and America heavy duties are imposed on the import of the finished leather and leather goods and export duties on raw hides and tanstuffs, so that when you try to capture those markets, you meet with heavy duties. How are you going to counteract those duties?

A. I want to qualify this statement. After I sent this evidence I found out that in America there is no import duty at present. As America has got no import duty on leather, the American market is free and then if our export of raw goat skins is lessened to America, Americans will have to buy finished goat leather from this country of Indian manufacture. Similarly, if the export of hides to Germany is curtailed, then they must buy from us the tanned material.

10824. *Q.* You want 15 per cent. export duty and 20 per cent. import duty on finished leather and 25 per cent. on leather goods?

A. Yes.

10825. *Q.* How long do you think that these duties should be allowed to make your industry sufficiently self supporting to stand on its own legs?

A. As long as we cannot stand on our own legs.

10826. *Q.* How long will that take?

A. We should make an experiment for ten years.

10827. *Q.* Have you considered what effect this policy will have on the producers of raw hides and the consumers of manufactured leather in India?

A. I cannot follow you.

10828. *Q.* You want an export duty of 15 per cent.?

A. Yes.

10829. *Q.* That would reduce the local price for the whole output in India. Would it not?

A. How would it reduce the local price?

10830. *Q.* Because there is the export duty of 15 per cent.; producers of raw material, that is to say, the hides and skins in India, would have to accept lower prices in consequence of the imposition of the export duty?

A. Yes.

10831. *Q.* And the purchasers of leather goods will have to pay 20 to 25 per cent. more because you have an import duty on finished leather?

A. Yes.

10832. *Q.* Both producers and consumers will be penalised for the benefit of your industry?

A. Well, as regards raw hides and skins it is not a manufactured article. The collector, as a matter of fact, does not pay anything for it. In this country the man who owns the cattle throws away the carcase when the animal is dead. He throws it in the field and the man who skins it does not get much value for it. So far as I know from practical experience, it is the middleman (the dalal) who profits by it. I don't see how the country is going to lose.

10833. *Q.* You are talking of dead hides. What about slaughtered hides?

A. Most of the hides are dead hides.

10834. *Q.* Do you think that out of dead hides you could manufacture high class leather?

A. I don't think so.

10835. *Q.* For that purpose you require slaughtered hides?

A. Yes, slaughtered hides have got a special value which are mostly got in big towns and in cantonments They fetch their real values.

10836. *Q.* By the imposition of an export duty that price will be reduced by 15 per cent.?

A. Yes.

10837. *Q.* What effect will it have on the export trade? We have been told that the export trade has actually been killed by reason of the 15 per cent. duty that has been imposed?

A. That is a matter of opinion.

10838. *Q.* They show by results?

A. The result is there. Whether that result was due to the duty or other causes nobody knows. But I do not think the country will be a loser in any way. If Germany was purchasing a hide for Rs. 5, it will still purchase it for Rs. 5. By imposing a duty on hides Government will take one rupee and the hide dealer will get Rs. 4; so the country as a whole is getting Rs. 5.

10839. *Q.* Hide traders will pay a special duty of 15 per cent. to Government?

A. What is the harm? Government develops the tanning industry. I do not think it is due to the export duty that the hide trade is so low.

10840. *Q.* You go on to say that it is also a fact that no other country in the world, excepting perhaps South America, has got so much exportable surplus. The export duty will be in regard to this enormous quantity while the actual quantity consumed will be relatively very small. Is it not?

A. For the time being.

10841. *Q.* And these people will be penalised by a heavy export duty in order that a small quantity they be manufactured in India?

A. Well, in other countries they have their own export duty. For instance, in Mexico they have heavy export duties on raw hides and skins. Why are they doing it?

10842. *Q.* What is the present state of their tanning industry, if they have any tanning industry at all?

A. I do not think that their tanning industry is better than ours.

10843. *Q.* Can you tell us what is the quantity exported from Mexico?

A. I have got no information.

10844. *Q.* In answer to Question No. 52, you say that the present tanning industry in India suffers from dumping. What do you mean by that? Will you please explain?

A. There is some dumping on account of the absence of manufacture of leather goods, such as boots, shoes, etc. There is some over-production at present.

10845. *Q.* Do you mean over-production of leather in some parts of India?

A. Yes.

10846. *Q.* What do you mean by the use of the word dumping here in reply to Question No. 52?

A. Much of the leather is accumulated in one place and for want of efficient distribution it cannot be sold. I do not mean that the leather is dumped from outside. For instance, when export facilities in Calcutta to Bagdad or South Africa were prohibited, we got stocks accumulated in Calcutta and we cannot distribute them easily. That is what I mean by dumping.

10847. *Q. Sir Maneckjee Dadabhoy.*—Accumulation of your own stocks?

A. Yes.

10848. *Q. President.*—That is not dumping?

A. I have explained that there is no dumping from outside. I mean accumulation of stocks.

10849. *Q.* In answer to Question No. 56, you say "The industry has been benefited by the successive enhancements of tariffs. Local production of leathers and leather goods has considerably increased and the import diminished. Leathers and leather goods made in this country are finding more extensive use." Have you any statistics on which you base these conclusions?

A. It is more from personal experience than from statistics that I have made the remark.

10850. *Q.* Your personal experience extends over the whole industry?

A. Mostly I can speak of Bengal, United Provinces and the Punjab.

10851. *Q.* You have no statistical information?

A. I did not base my information on statistics.

10852. *Q.* In reply to Question No. 57, you say "The tanning industry has not suffered on account of export duty on raw hides and skins; on the contrary, the imposition of duties, which caused temporary suspension of export of raw hides and skins, led to the establishment of many small tanneries." How many small tanneries were established in consequence?

A. In Calcutta since 1919 we have got about a dozen tanneries.

10853. *Q.* Do you think it is advantageous to maintain small tanneries by levying a very heavy export duty on raw materials?

A. Certainly not, but I think that is an indication that an export duty helps the establishment of tanneries. Now, we have got small tanneries, and if they prosper they might develop to big tanneries.

10854. *Q.* Would not an import duty on manufactured leather without any export duty on raw hides and skins be equally beneficial to the industry?

A. No, not at all. That will kill the tanning industry altogether. The practical difficulty that we, Indian tanners, have to meet, as I told you before, is that practically we do not get any skins and hides in a country like India. For instance I am trying for the last 4 years to develop glace kid manufacture in this country. We have made the technical process successfully and turn out stuff which you can sell, provided you can sell it at a reasonable price. On account of the unrestricted export, there is enormous market fluctuation. If I pay Rs. 2 for a goat skin to-day, to-morrow I have to pay Rs. 6. How am I to go on manufacturing these things?

10855. *Q.* Would not the fluctuations remain, whether the export duty is there or not?

A. If there be an export duty, the price would not fluctuate very much because the Americans who buy goat skins will hesitate thrice before raising the price of the goat skins. Here goats are often killed for the sake of skins. In 1919 goat skins went up to Rs. 6 or Rs. 7 per skin and goats were killed for the sake of skins and meat was thrown away in the districts of East Bengal. I know it because I come from East Bengal. I got reports that goat meat was selling at one anna per seer. Against that sort of thing how do you expect the Indian tanning industry can develop?

10856. *Q.* Export duty cannot interfere with fluctuations in price?

A. Export is causing these fluctuations.

10857. *Q.* You want to stop exports altogether?

A. I do not want to stop exports. What I want is that the foreign purchasers may not raise the prices to an

impossible figure, and if you put a on export, it will keep them within bounds.

10858. *Sir Edgar Holberton.*—2. Is yours a Government factory?

A. The Calcutta Research Tannery is a Government one.

10859. *Q.* You are a Government servant?

A. I am a Government servant and partly a private servant. I am the manager of the National Tannery Co., Ltd.

10860. *Q.* That is a separate appointment?

A. Yes.

10861. *Q.* As Superintendent of the Calcutta Tannery do you do any practical work?

A. Yes.

10862. *Q.* Is there a tannery working?

A. Yes.

10863. *Q.* Financed by Government?

A. Yes.

10864. *Q.* Does it work at a profit?

A. Government does not want profit.

10865. *Q.* When Government has a Research Tannery, presumably the tannery is run on commercial lines?

A. No. It is simply an experimental tannery.

10866. *Q.* It does not sell its products?

A. It sells at public auction.

10867. *Q.* The amount received for those products does not pay the expenses of the tanner?

A. How can it pay? It is mainly for investigation and working out processes.

10868. *Q.* Your experience as a practical tanner then is in connection with your other appointment?

A. Mainly and also the investigational part.

10869. *Q.* As a practical tanner?

A. Yes.

10870. *Q.* What do you call the other business?

A. The National Tannery Co., Ltd.

10871. *Q.* Is that a public company?

A. A private Limited Company.

10872. *Q.* What is your capital?

A. Rs. 3 lakhs.

10873. *Q.* How long has it been going?

A. The tannery has been working since 1909 on a larger scale. It was begun in 1905 on a small scale by Sir Nilratan Sircar.

10874. *Q.* It is a big concern from 1909?

A. Yes, to an appreciable extent. Then it was made a Limited Company in 1917 or 1918.

10875. *Q.* Has it paid any dividends?

A. Yes.

10876. *Q.* What does it pay?

A. It is a private Limited Company. I cannot tell you.

10877. *Q.* No figures have been published?

A. No.

10878. *Q.* What sort of leather do they produce?

A. We produce chrome box sides from kips, Indian cow hides.

10879. *Q.* Chrome leather is half tanned?

A. It is full tanned.

10880. *Q.* Where do you get your market for those box sides?

A. Chiefly local, but for the last 3 or 4 years we have been exporting appreciable quantities to Basra and Baghdad and to Straits Settlements, and some of the goods are going to Africa as well.

10881. *Q.* You deal, I suppose, in the best hides only?

A. Yes.

10882 *Q.* Your difficulty, as described to the President, is in buying in lots. You only want to do business with the best hides?

A. Yes.

10883. *Q.* What is the fault of the other hides?

A. Other hides are mainly damaged on the top side. That is one defect noticed in most of these bad hides. Another defect is that they are very thin. The quality is poor. They do not make very good leather, especially for chrome purposes.

10884. *Q.* What will be the percentage of purchasable hides in a lot of 5,000 hides, from your point of view? How many of them will be suitable for your purpose?

A. 10 per cent.

10885. *Q.* Those are the only ones which are useful for your purpose and which you want to keep in the country?

A. Yes.

10886. *Q.* You favour a duty on export of all hides?

A. I have got no objection if any means can be found out to retain only the good quality in the country and export the bad quality free of duty.

10887. *Q.* In your experience, what is the origin of most hides? Do they come from animals that die or are slaughtered?

A. They come from animals that die. Hides coming from slaughtered animals are very few.

10888. *Q.* All the hides of animals that die, you get?

A. Not more than ten per cent. of them.

10889. *Q.* Those are practically the ones you keep and you reject the rest?

A. I was answering your other question. Ten per cent. of hides obtained from animals that die is of a better quality.

10890. *Q.* Have you any practical proposition, as a practical tanner, to tell the owner of these 90 per cent. of hides that you cannot take what he is to do with them?

A. He will naturally export.

10891. *Q.* Nobody in India can use them?

A. Not until the tanning industry is fully developed There are about 70 lakhs of cow hides exported every year in normal times and the tanning industry in India is not in a condition to tackle the 70 lakhs. So until the tanning industry is developed to that stage, of course they must be exported.

10892. *Q.* You do not see my difficulty. You are a practical tanner. It does not pay you to touch any of these 90 per cent.?

A. That is not it. I would not touch it for the class of work that I am doing. But there are other tanners in India who are also tanning bad quality hides for cheap class leather.

10893. *Q.* Do those tanners have any capital behind them, or are they doing small local business?

A. You have got Graham & Co. They started a very big tannery. They were taking those bad hides and making them into half tanned leather. They have not found any market for that in England. They have not closed their tannery, but so far as my information goes, they have cut their output.

10894. *Q.* My information is that they will be very glad to part with it at any reasonable figure. The difficulty of course is partly a business one. I can see from your point of view that you can quite do with 10 per cent. of the hides and that it would be worth while to build up business in this country for that 10 per cent. What I cannot see and what nobody has been able to prove to me yet is that it is possible to build up an industry worth having for the 90 per cent?

A. It only depends upon finding a market for tanned leather in other countries. The fact is that this 90 per cent. is being imported by Germany or other places. If Germany does not get them as raw, she would have them as tanned.

10895. *Q.* It is by no means a monopoly market. At the present moment the market is flooded at home. There are very large supplies of hides from other places. India really has nothing like a monopoly in the supply of low grade hides?

A. That was my impression. The particular kind of hides that India exports no other country has got.

10896. *Q.* Our information does not agree with yours?

A. (No answer.)

10897. *Sir Montagu Webb.*—*Q.* In your written evidence you advocate an export duty on hides?

A. Yes.

10898. *Q.* You think that an export duty would help in the development of the tanning industry?

A. Yes, I think it would.

10899. *Q.* 90 per cent. of your hides are low grade and are exported. Notwithstanding that fact, you still think that the tanning industry would be helped by an export duty?

A. Yes, because I think the tanning industry could be developed to such a stage that gradually it will be able to tackle the 90 per cent. as well in the country.

10900. *Q.* I ask you because it is very interesting to us to find your evidence is diametrically opposed to that of other experts. I am only talking of hides at the moment. We have been told that inferior grades of hides are actually lying, rotting in this country because they could not be sold, partly because the world's markets are over-stocked, and partly because the sale is handicapped by the export duty, which falls very much more heavily on low grade hides?

A. I do not think so. I do not think it is due to the export duty at all. Even if the export duty was not there at all, I think the hides will be there, because Germany

is not in the market. Out of 70 lakhs of cow hides exported in normal times from India, Germany and Austria alone used to take 50 lakhs, and they are not in the market now. As soon as they are in the market, the export will rise. If you look at the figures, you will find that as soon as Germany is in the market, it is going up.

For the 8 months April to November 1921, the export of cow hides to Germany was 7,639 tons. While for the same period in 1920, it was 1,450 tons only. As soon as Germany comes into the market, duty or no duty, they will purchase. On account of the duty, you get a rupee less, but that would not kill any industry. With regard to goat skins, for the 8 months period, 1921, the export to the United States was 10,668 tons. In 1920 for the same period, it was 5,040 tons, and in 1919, it was 20,407 tons. The decrease in 1920 is due to heavy stocks lying in America with the tanners. They purchased heavily in 1919, but they did not purchase in 1920. The price per ton was Rs. 4,500 in 1919 when the export duty was imposed. Still they purchased. In 1920 when they stopped purchase, the price went down to Rs. 3,000 per ton. In 1921, they were again in the market. For eight months they have purchased 10,668 tons. The price was 2,000 per ton. The market is all right in spite of the duty.

10901. *Q.* In your reply to Question No. 48, you say that Indian finished leathers have to compete in foreign markets with German and American leather?

A. Yes.

10902. *Q.* As a matter of fact, the Indian leather could only find entrance in foreign markets when supplies from Germany were cut off by the war?

A. Yes.

10903. *Q.* How was it that Indian leather could only compete during the war?

A. During the war Germany was not producing this class of leather at all, and, on account of the blockade, they could not export leather from their country, and so we got a chance.

10904. *Q.* My question is why can't the Indian leather hold the market?

A. Now the difficulty is that they have got a much better organisation than ourselves, and their technical skill is much better than ours. They have studied the local conditions and know how to suit their processes to those conditions. In our country, we have not yet studied local conditions and we do not as yet know how to suit our processes to them.

10905. *Q.* Can you explain to me how an export duty of 15 per cent. will produce that additional skill?

A. If there is an export duty on hides, we will get the hides at least 15 per cent. cheaper than the Germans can get them. If we get that 15 per cent., they have got about 20 per cent. advantage in other matters. So that 15 per cent. advantage would, to some extent, countervail other advantages they have got. We can give leather cheaper than the Germans can. I am speaking chiefly of Baghdad and Straits Settlements.

10906. *Q.* By depressing the price of Indian raw hides by 15 per cent. your tanneries could compete with German tanneries which are buying their hides, not in India but in other parts of the world. They are not obliged to buy Indian hides. Still you feel satisfied that you would be able to compete?

A. Yes.

10907. *Mr. Rhodes.*—*Q.* Yours is a private Limited Company?

A. Yes.

10908. *Q.* It has been going for some years now?

A. As a private Limited Company, this is the 3rd year.

10909. *Q.* It is not contemplating liquidation, I presume?

A. No.

10910. *Q.* In other words, under your excellent management, it does not require Protection? If it is paying, do you require further Protection?

A. Yes. I have said so.

10911. *Q.* But if you are surviving, why do you need Protection?

If there is no Protection, I may die. I may not survive.

10912. *Q.* But you are living at present?

A. I will explain. I am dealing only in cow hides, and the chief competition that I have to meet in cow hide leather is from Germany. Germany is not in the market as yet, and therefore I am surviving. If Germany comes into the market, it is not known whether I shall survive.

10913. *Q.* There is only one other question and that is about your suggestion to put a heavy duty of 20 or 25 per cent. on imported goods. Some of those imported goods are for industrial purposes, leather belting, etc.

A. Yes.

10914. *Q.* You suggest a heavy duty on these?

A. There is no harm in doing that, because we can supply leather belting to industrial concerns, and we used to supply during the war.

10915. *Q.* Shall we be able to develop our industries if they have got to pay a heavy price for leather belting?

A. The present rate is 11 per cent. I only want 14 per cent. more and I think much of the leather belting and other things can be supplied from the country at present.

10916. *Mr. Mant.* Q. You have stated in answer to Question No. 44 (ii) that vegetable tanstuffs are known to produce excellent leather. Do you mean to say that that is produced in India? Is the leather produced in India up to the first grade?

10917. *Q.* As regards tarwad, the leather produced in India is recognised to be of first grade even in Europe and America.

10918. *President. Q.* As regards quality? Both hides and skins?

A. Yes, Both. Madras half-tanned leathers are recognised to be of excellent quality.

10919. *Mr. Mant. Q.* But the Madras half-tanned leathers are finished in the United Kingdom?

A. They are not finished here.

10920. *Q.* I am talking of fully tanned leather. Does any tannery in India turn out first class finished leather?

A. Yes. Cawnpore. Cooper Allens.

10921. *Q.* We have been in Cawnpore. I have seen a good deal of Cawnpore leather, but I cannot say that I have seen there anything up to the first grade English leather. Do you say that Cawnpore leather is equal to the best English and American leather?

A. No, I do not say that. I say that the Cawnpore tanneries turn out first class leather from Indian hides and skins with babul and myrabolams. Now, the first class leather you have seen in England is not turned out from Indian raw material.

10922. *Q.* I gather you mean that in India they turn out as good a leather from Indian hides and skins as could be produced in England from Indian hides and skins?

A. Yes, by putting them in babul and myrabolams.

10923. *Q.* Then you said to the President that the waters in this country have been found by chemical analysis equal to the waters at Home where good leather was produced?

A. Some better, some worse.

10924. *Q.* I would like to know whether that chemical analysis is conclusive?

A. Chemical analysis is supposed to be quite accurate, and it all depends on what conclusions you draw from that. I have compared some of our waters with the analysis of home waters. At Home, in Leeds district, which is known to be a very good tanning centre, I have found waters which are quite inferior to the waters we get here.

10925. *Q.* I wanted to ask you whether chemical analysis is the only test; that is, whether there is not any quality in water which is not brought out by a chemical analysis; in other words, whether a practical tanning test is not more conclusive than chemical analysis?

A. Actual tanning test would be a better test. But that is not possible here, and the next best thing is to go by chemical analysis.

10926. *Q.* That really means that chemical analysis is not conclusive that an actual tanning test would be better?—

A. The tanning test would be better, but now-a-days every body goes by chemical analysis. Tanning tests are not always practicable and chemical tests tell you a good deal.

10927. *Q.* In answer to Question No. 46 you say "The methods of dealers in tanstuffs are unsatisfactory." Have you any suggestions for improving that? I do not know what you mean to suggest there. You say, "For the safety and development of the industry a regular classification of the stuffs according to their purity is necessary and their prices should be fixed on the percentage of their tannin content." Is that a recommendation to the Government or to the dealers?

A. The tanstuffs simply consist of barks and by the naked eye one cannot say whether the bark has been extracted once or not. In other countries tanstuffs are bought after chemical analysis. There is no such system here.

10928. *Q.* Have you any recommendations to make to Government, or are you simply putting this in as one of your difficulties? Have you any suggestions to make for remedying it?

A. The tanners should purchase their stuffs on analysis. That is the remedy.

10929. *Q.* Why don't you do it? You are a tanner yourself?

A. I am talking about the organisation the organisation is so defective at present.

10930. *Q.* The remedy is in your own hands?

A. Yes.

10931. *Q.* In answer to Question No. 51 you say, "With the development of the tanning industry it is essential that factories to manufacture tanning machineries, extracts and dyestuffs should also be developed." Do you mean that you would like to have a protective duty on tanning machinery? How are you going to develop the manufacture of tanning machinery?

A. As a matter of fact, that is not in my line and I cannot really say.

10932. *Q.* You have stated that it should be developed, and I just wanted to know how you would suggest that it should be developed?

A. The question was, "How long the duty on leather should continue?" In answer to that I say, "Until the tanning industry is developed and alongside with the development of the tanning industry the allied and key industries are also developed.

10933. *Q.* You mean you require Protection for leather until the manufacture of tanning machinery is undertaken in this country?

A. Yes.

10934. *Q.* But you have no recommendations to make as to how the manufacture of machinery should be developed?

A. No.

10935. *Sir Maneckjee Dadabhoy*—*Q.* You are interested in the tanning industry only?

A. Yes.

10936. *Q.* And you want to see that industry fully developed?

A. Yes.

10937. *Q.* For that purpose you recommend this double duty of 15 per cent. export duty and 20 and 25 per cent. import duties on finished goods?

A. Yes.

10938. *Q.* You know that this export duty of 15 per cent. was put on in 1919?

A. Yes.

10939. *Q.* Since that date have you got any facts and figures to prove that your tanning industry has been benefited by this increased export duty?

A. Well, if you go by figures and statistics, I am afraid I cannot show you any effect. No figures are kept to record the local manufacture of leather. We do not record how many tanneries are manufacturing how many hides. But you can take it from me that since 1919 the total quantity of finished leather manufactured in India has increased. In our tannery our output has increased.

10940. *Q.* You cannot say that that was due to the export duty only, because there was no demand for much of these hides in European countries since 1919, and you have had an opportunity to buy hides cheap here?

A. Yes.

10941. *Q.* So you cannot say that the increase of your output was solely due to the export duty?

A. No. I cannot say that it was solely due to the export duty.

10942. *Q.* Now, will not this 15 per cent. export duty prevent the sale of low grade hides?

A. No, I do not think so.

10943. *Q.* The percentage of superior hides is very small compared to the low grade hides. Is it not?

A. Yes.

10944. *Q.* You are only interested in superior hides?

A. Hides are of two kinds: hides and skins. 80 per cent. of the skins are of superior grade. Goats are all killed, and they are not allowed to die a natural death, and consequently they are all of superior quality.

10945. *Q.* Are you using goatskins?

A. I am trying to.

10946. *Q.* It has not succeeded?

A. It has not been a success as yet.

10947. *Q.* Is this 15 per cent. duty on goatskins helping you?

A. It is helping me.

10948. *Q.* Are you using all the goatskins produced in the country?

A. How can I use in one day? You must give the tanning industry time to develop itself.

10949. *Q.* And till that time, you will allow the goatskins, to be exported without any duty?

A. No, I want them to be exported with a duty I want both hides and skins to be exported with a duty.

10950. *Q.* Then in answer to Question No. 50 you say, "German and American leather industries, on account of their already existing thorough organisation, efficient equipment, vast reserves accumulated during the past half a century, have got at least 20 to 25 per cent. advantage over us." So, if they have got such a large margin of advantage, how are you going to succeed even on your assumption?

A. That is why I have suggested that there should be a 15 per cent. export duty on our hides and skins and import duties of 20 and 25 per cent. on leather and leather goods.

10951. *Q.* But you are not able to manufacture all the hides and skins in the country,—not even an one-hundredth part of it. Do you want the producer of these hides and skins to suffer in his profits by this 15 per cent. duty on the off-chance of your developing your industry 10 or 20 years hence?

A. I do want it.

Witness No. 73.

The Calcutta Trades Association.

Written statement dated Calcutta, the 11th January, 1922.

10952. *Q.* 1. A policy of Free Trade is preferable for the proper development of India. With the exception of the cotton mills of Bombay and the jute industry of Calcutta there are no industries advanced enough or important enough to warrant Protection. This remark does not apply to such industries as sugar, tea, etc., which are not precisely in the same category as the above. Reasonable customs duties for the purpose of raising revenue are not objected to.

10953. *Q.* 2. To a certain extent. But it should not be so large as to hamper trade. Too high a tariff restricts imports and defeats its own purpose. It is harmful also as it restricts the ebb and flow of commerce with countries outside India. Both principles might be considered always, provided the customs duty is for revenue purposes and not for Protection.

10954. *Q.* 3. The present tariff is a very bad one. It has apparently been imposed without proper consideration or thought. The more one examines it, the more obvious it becomes that the schedules were framed without sufficient examination of details. Some articles are taxed too high and some too low. If an article is to be taxed at all, it can bear five per cent. for revenue purposes. In the present tariff the articles admitted free are generally those that are by general custom exempt from duty. To these little exception can be taken. Also to those portions relating to tobacco and liquors the same remark may apply. But practically the whole of the rest of the tariff looks as if it would defeat its own end by restricting imports without conferring any corresponding benefit. An all round duty of five per cent. or seven and a half per cent. would probably in the end yield just as much revenue without doing so much harm.

10955. *Q.* 4. See remarks above. The results of the present tariff should be carefully considered with a view to amendment.

10956. *Q.* 5. Experience appears to show that people cannot afford to pay the heavy duties, and therefore spend

less. In some instances small industries have been fostered, such as soap making of the laundry varieties of soaps. The encouragement of Indian industries may eventuate by small degrees. But the main result will be the restriction of imports.

10957. *Q.* 6. Speaking, generally—No.

10958. *Q.* 7. See above.

10959. *Q.* 8. No, the consumer has to pay.

10960. *Q.* 9. A protective tariff is not desirable.

10961. *Q.* 10. The time is too far distant for practical consideration. It would, besides, not be advantageous to shut out the import trade. India is primarily a country that supports itself by the export of raw materials. If the import trade is to be throttled, trade will be one-sided, exchange will become grossly high and users of our raw materials will not be able to afford to purchase them. In answer to the latter portion of the question, practically every article mentioned in the present customs schedule.

10962. *Q.* 11. In some few instances a protective tariff might be desirable. India is not a manufacturing country nor can it be for many years. In fact, it is doubtful if it can ever be.

10963. *Q.* 12. Industries that depend on agriculture for their basis, such as sugar.

10964. *Q.* 13. See answer to 12.

10965. *Q.* 14. The situation hardly arises. There are so very few industries of sufficient importance to warrant Protection. The moment the principle was introduced there would be a clamour for hundreds of baby industries to be protected and the results would be more undesirable. A small industry started in Bombay and getting Protection could not supply the whole of India.

10966. *Q.* 15. In this case certainly.

The most desirable means would appear to be not to allow goods to be imported into the country at a small market rate than that prevailing in the country of origin.

10967. *Q.* 16. One cannot help regretting that such industries as Dacca muslin, etc., should become things of the past. But to attempt to bolster them up by artificial means would be a mistake.

10968. 17. This is more than probable, as it is almost invariably the case in countries that use Protection.

Once Protection was established it would be extremely difficult to prevent rings.

10969. *Q.* 18. To a small extent it would be so. But British manufacturers would require a deal of convincing before they adventured large capital sums in such ventures. Some companies have already started and the result of the early experiments will be watched with interest.

If successful, it would be a very excellent thing for the country.

10970. *Q.* 19. Would prefer not to answer this question.

10971. *Q.* 20. In only rare instances does anybody but the consumer pay the duty.

10972. *Q.* 21. Certainly.

10973. *Q.* 22. No. The benefit would be to such small section while the hardship to the vast majority of the population would be so great.

10974. *Q.* 23. As previously indicated, Protection is not favoured in any case except to avoid dumping. This question therefore does not need a reply.

10975. *Q.* 24. Experience has recently shown that serious rises in prices have not been followed by an increase in wages. It is not possible that it should be so. Private firms cannot automatically raise their wages in sympathy with a tariff. The fact of a protective duty being levied does not increase profits.

10976. *Q.* 25. It is difficult to say. The eventual solution would probably be an increase in exchange with a corresponding fall in the export trade.

10977. *Q.* 26. As retail traders, it is difficult to answer this point unless a concrete instance is given.

10978. *Q.* 27. See above.

10979. *Q.* 28. See above.

10980. *Q.* 29. As before mentioned, the system of Protection is not favoured.

10981. *Q.* 30. In almost every case export duties are undesirable. The policy of the country should be to encourage exports not to check them. The effect of export duties is to artificially raise the price of the goods. In consequence, consumers look for other markets and generally find them.

A small duty for the purpose of locally building a bridge or improving a city might be sanctioned for a short period. But otherwise the system is undesirable.

10982. *Q.* 31. They are an artificial hindrance to trade and cannot be defended on any grounds.

10983. *Q.* 32. It is difficult to see how such a state of things could eventuate. Supply will in normal times always meet the demand. War times are not normal. A concrete instance is the export duty on hides, etc., which has caused our best customers to go elsewhere while the Indian industries cannot hope to use the supplies of raw material.

10984. *Q.* 33. The only effect would be to check exports and impoverish the country.

10985. *Q.* The subject of Imperial Preference hardly falls within the scope of the Calcutta Trades Association. The only point that may be made is the very small volume of trade that is done and it would appear that the proper thing to do is not to attempt to restrict trade but to encourage it. There are vast quantities of Indian raw materials and manufactures that could go to the Colonies if Government assistance was offered. But as a matter of fact, the intercourse is so small that it is difficult sometimes to get a remittance from Canada to Calcutta at all. There are probably large amounts of colonial produce that could be used in India, Railway sleepers from Australia, dried fruit and jams from South Africa, etc. On the other hand these Colonies with their vast Railway systems could use Indian castor oil in very large quantities. Only isolated instances are mentioned as this is not intended as an exhaustive treatise. The trouble is the absolute ignorance of the people of India of the Colonies and *vice versa*. The remedy that suggests itself is a consular system. Indian consulates might be established in all principal colonial cities. These consulates might be largely self-supporting if businesses interested paid a small subscription for the use of the consulate for the display of trade samples. Take a concrete instance. Johannesburg, Durban and Cape Town are very large markets. There are lines of steamers plying between South Africa and India, but very little trade is done. But if an Indian consulate specially designed to encourage trade were started in each of those three towns, there would be a constant flow of orders to India and it is conceivable that in course of time Indian houses would be encouraged to start agencies in ports where they consigned their goods and the mutual trade thus encouraged grew into an important asset. As things are at present, there is no institution to aid inter-colonial trade in a practical way. The headings C. D. & E. hardly come within the scope of the Calcutta Trades Association.

Mr. C. F. HOOPER, representative of the Calcutta Trades Association.

Oral evidence, Calcutta the 13th January 1922.

10986. *President.*—*Q.* You represent the Calcutta Trades Association?

A. Yes.

10987. *Q.* Your Association thinks that a policy of Free Trade is preferable for the proper development of India?

A. Certainly yes.

10988. *Q.* You continue to say: "With the exception of the cotton mills of Bombay and the jute industry of Calcutta, there are no industries advanced enough or important enough to warrant Protection." I should like you to explain what is meant by that statement.

A. Our point of view is that a small industry in one part of India, which is not important enough should not be protected. It cannot hope to supply the whole of India and why should all the consumers pay higher prices. Take, for instance, the small printing ink man on the banks of the Hooghly. He cannot supply ink for the whole of India, but he wants Protection. Why should a large number of consumers pay a higher price for their ink to support his industry?

10989. *Q.* You say you favour Free Trade, and then you go on to say "with the exception of the cotton mills of Bombay and the jute industry of Calcutta there are no industries important enough to warrant Protection." Do you mean to say that the cotton mills of Bombay and the jute industry of Calcutta are important enough and should be protected?

A. Oh, no. I am afraid I have expressed myself badly. What I meant was that they are the only industries that can stand by themselves in India, and that until an industry is really a vital industry of the country, there is no particular gain in protecting it.

10990. *Q.* Supposing an industry was vital to India, would you protect it?

A. Only if it were in danger.

10991. *Q.* In the next sentence, you say, "This remark does not apply to such industries as sugar, tea, etc., which are not precisely in the same category as the above"?

A. It is no use trying to protect tea because it is an agricultural product and nobody would bring tea into India. Sugar might for special purposes need Protection.

10992. *Q.* And would you give it?

A. Yes, because it is a vital industry of the country. Vast numbers of people grow sugar and if a cheaper article were coming in and was going to kill that important and vital industry, then I would favour some measure of Protection for it.

10993. *Q.* Then, your policy of Free Trade would be subject to so much Protection?

A. Because it is a vital industry.

10994. *Q.* What is your definition of the word "vital" when you use it in connection with an industry?

A. Well, an industry which depends on the produce grown in the country and by which many thousands of people earn their living.

10995. *Q.* That is to say, you would favour Protection to that industry which manufactures the produce raised in the country and the products of which are required for the use of the country?

A. When thousands of people are dependent on it. I do not say it should be consumed in the country.

10996. *Q.* Therefore, any industry which employs a large number of labourers, you think, would deserve Protection?

A. If it were considered necessary.

10997. *Q.* Necessary from what point of view?

A. Supposing the industry were in danger by reason of large quantities of material being dumped into the country.

10998. *Q.* Then you would give Protection?

A. Yes.

10999. *Q.* You advocate a policy of Free Trade for India, do you not?

A. Yes.

11000. *Q.* Do you advocate Free Trade for India, alone or for the whole world? Do you advocate Free Trade only for India in her special circumstances?

A. Well, I am a converted free trader.

11001. *Q.* That may be, but I would like to know why you advocate Free Trade for India?

A. After living for 30 years in India I am of opinion that Free Trade 1*s.* 4*d.* exchange made a Golden Age in India.

11002. *Q.* Have you considered from the fiscal point of view, which would be most advantageous to India as a whole, Free Trade or Protection?

A. I notice that we were not so well off under Protection that we have had before.

11003. *Q.* We had no Protection before?

A. Yes, we had last year.

11004. *Q.* All our tariffs are revenue tariffs?

A. But you have 20 per cent. on silver and 20 per cent. on all sorts of things.

11005. *Q.* And 20 per cent. on motor cars, which we do not manufacture here; so that is a revenue duty. And so you cannot give me any reasons why you think there are special reasons why India should be a Free Trade country?

A. My reason is that I consider that for India her import trade is quite essential and that it should not be checked.

11006. *Q.* You think that import trade in manufactured goods and export trade in raw materials is good for India, for economic and national considerations?

A. Yes, absolutely.

11007. *Q.* Do you know any country which follows that policy having those special circumstances as India?

A. The only other country I have lived in and have had personal experience of is South Africa, and there the conditions are rather the reverse. They have very few exports except gold and a little wool.

11008. *Q.* And diamonds?

A. Yes, and diamonds. The difficulty of exchange there is always very very great. It is one great difficulty which bankers have to contend with in South Africa. I have studied this question of exchange very carefully, and I have had a good deal to do with it from a journalistic point of view. I am of opinion that anything that check imports into the country forces up the rate of exchange stops the export of raw macerials from the country by raising their sterling value, and is consequently bad for the country.

11009. *Q.* Your Association consists of members who deal particularly in the import of manufactured goods into India?

A. Yes, almost exclusively, I should say.

11010. *Q.* And do you think that a policy of Protection would adversely affect the import trade?

A. We are not talking from our own interest at all.

11011. *Q.* I am not suggesting that. Do you think Protection would adversely affect the import trade of India?

A. Oh yes, a tariff would certainly affect it.

11012. *Q.* Then, do you know of any other country which has a policy of free export of raw materials and free import of manufactured goods?

A. I do not. There is no use giving evidence on which one is not an expert.

11013. *Q.* In answer to the latter part of Question No. 10, you say: "Practically every article mentioned in the present customs schedule." Your answer means that for practically every article mentioned in the present customs schedule, India will have to depend on other countries and will have to import them from abroad. Is that so?

A. Yes.

11014. *Q.* In other words, that India can never develop industrially even to such an extent as to be able to manufacture even a single article mentioned in the present schedule?

A. I have looked through the list and I cannot see anything.

11015. *Q.* Then in answer to Question No. 11 your Association says "In some few instances a Protection tariff might be desirable." Can you tell us in which cases a protective tariff might be desirable?

A. The answer really hinges on dumping.

11016. *Q.* The question has no relation to dumping?

A. Our answer to Question No. 11 hinges on the question on dumping. My point was that supposing a large cement industry existed in India and the Germans were to dump large quantities of cement and try to knock out the cement industry, then I would be in favour of putting up an import duty to such an extent as to bring the price of the imported cement equal to the price that it fetches in Germany. Supposing cement were selling at 10 shillings in Hamburg, I would not like it to be imported into this country at less than 10 shillings. For instance the Java people might be dumping sugar. The industry that is in danger should be protected.

11017. *Q.* Danger of dumping only?

A. An industry which is in danger of being swamped should be protected.

11018. *Q.* Therefore, you would protect industries against foreign competition?

A. Against unfair competition.

11019. *Q.* Unfair competition by way of dumping, bounties subsides, etc. Is that what you mean?

A. Yes. I refer to bounty-fed competition.

11020. *Sir Maneckjee Dadabhoy.*—*Q.* You are a convinced free trader?

A. Yes. By having lived in the world I have come to the conclusion that Free Trade is to be preferred.

11021. *Q.* Were there any special circumstances in South Africa which changed your horizon?

A. There were several, Sir. I will just give you one instance. Natal produces about as much tea as the Dooars do on a Saturday afternoon. In order to protect that tea of which the quantity is small and the quality is poor they put a most appalling duty on tea. You cannot get a decent cup of tea in South Africa at a cheap price. If you want to drink a cup of Indian tea, you have to pay an enormous amount. It is all for the sake of protecting a hole and corner industry.

11022. *Q.* That converted you?

A. Not only that. There were enormous duties on all sorts of things.

11023. *Q.* How long have you been in India?

A. About 30 years.

11024. *Q.* You get a decent cup of tea here, I suppose?

A. Yes.

11025. *Q.* So that parallel does not apply to India?

A. No.

11026. *Q.* With regard to your answer to Question No. 1, would you include the steel industry in your description?

A. When steel comes from England and America it has got to pay freight and customs duty, and surely that is Protection for the Indian industry naturally.

11027. *Q.* Because steel from the Continent has to pay customs duty and transport charges you think that constitutes sufficient Protection for the Indian industry?

A. Yes.

11028. *Q.* Would your argument apply to goods coming from Germany to England?

A. Certainly, it would apply.

11029. *Q.* Do you know the present price of Belgian steel?

A. I do not know anything about it.

11030. *Q.* You do not know how Indian steel has got to compete with Belgian steel at present?

A. I do not know, I have not studied the question. I would rather not answer the question.

11031. *Q.* In your answer to Question No. 3 you say that practically the whole of the rest of the tariff looks as if it would defeat its own end by restricting imports without conferring any corresponding benefit. Do you mean to say that the tariff imposed in 1921 has not conferred any corresponding benefit by way of protecting any industry?

A. It is for revenue purposes, is it not?

11032. *Q.* You say that high duties are intended for revenue purposes. Whatever the scope of Government's duties, I want to know whether they have conferred any corresponding benefit or not to Indian industries. What is your experience?

A. As far as I am concerned, I am only interested in printing.

11033. *Q.* Then this statement is not a considered statement?

A. I do not think so. I am not altogether responsible for that question.

11034. *Q.* You are not responsible for this written statement?

A. Not the whole of it. I disagree with some portions.

11035. *Q.* Do you disagree with this portion?

A. Yes.

11036. *Q.* In your answer to Question No. 5 you say that the encouragement of Indian industries may eventuate by small degrees, but that the main result will be the restriction of imports. If it is by small degrees it must eventuate only by a policy of Protection. There cannot be a natural evolution?

A. Personally, as far as I am concerned, I would rather buy an Indian product, if it is as good as the foreign manufactured one.

11037. *Q.* But in order to induce you to buy, they must manufacture it, and to manufacture it they must have some Protection. Is that not so?

A. I have no Protection, and I have never found any difficulty in standing up.

11038. *Q.* Does not your statement assume that?

A. If an industry deserves Protection and is a vital one, then I should like to consider it.

11039. *Q.* You say that India is primarily a country that supports itself by the export of raw materials, and that if the import trade is throttled, trade will be one-sided, exchange will become grossly high and users of our raw materials will not be able to afford to purchase them. You are talking of the raw materials, used in Europe, are you not?

A. Take hides, for instance. I had occasion to call on Rothschild's Bank in London and Baron Rothschild's Secretary told me of the large number of their clients in the hide industry who could not afford to buy hides or even live up to their contracts on account of the high Indian exchange, which was then over 2*s.*

11040. *Q.* Baron Rothschild's Secretary was of opinion that India should always remain a producer of raw materials?

A. No. India must export a certain amount of raw materials.

11041. *Q.* Would you like to see India manufacturing her raw materials in the country?

A. Yes, if possible.

11042. *Q.* In answer to Question No. 11 you say "In some few instances a protective tariff might be desirable." Can you give some instances?

A. Sugar, principally.

11043. *Q.* Anything else?

A. I know most about sugar.

11044. *Q.* You have got no other instance?

A. I cannot call anything else to my mind.

11045. *Q.* You then go on to say that India cannot be a manufacturing country and that in fact it is doubtful if it can ever be. Why do you entertain such a pessimistic opinion?

A. There are only very few places in India which are manufacturing places, like Calcutta, Bombay and Madras.

11046. *Q.* The tariff policy was not framed to protect industries in the past. Whose fault is it that there are not many industries?

A. If the tariff policy had a more protective character, it would not have fostered more industries than those which exist at present.

11047. *Q.* Then India cannot be an industrial country?

A. There is no crime in agriculture.

11048. *Q.* I do not say so. But India can still be a great agricultural and also an industrial country. Can it not be?

A. Why should you raise the cost of living to 300 millions of people for the sake of a few struggling industries?

11049. *Q.* To make a beginning.

A. I do not see why you should penalise 300 millions of people.

11050. *Q.* All will not have to pay?

A. Every ryot will have to pay more for his cloth or his food.

11051. *Q.* Then you think that there are insuperable difficulties in the way of India becoming a manufacturing country?

A. We cannot legislate for our great grandchildren.

11052. *Q.* But you can legislate for your children?

A. I am afraid it will not be so in their time.

11053. *Q.* I understand from your answer to Question No. 14 that because hundreds of baby industries would clamour for Protection your Association is of opinion that no Protection should be given to struggling industries which hold out a promise within a definite future?

A. If the principle of Protection is introduced, then everybody will want Protection.

11054. *Q.* Therefore we must not give any Protection to deserving industries?

A. No, everybody will want Protection. I think there are practically none that serve Protection.

11055. *Q.* You would even deny help to a few deserving industries. Is that the right principle to adopt?

A. I would not go so far as that. I have said that if there are industries really and honestly needing Protection, then I would give it.

11056. *Q.* Then you would qualify your statement?

A. Yes.

11057. *Q.* As regards your answer to Question No. 22 that the benefit would be to such a small section while the hardship to the vast majority would be so great. Will not there be other advantages in increase of wages, etc.?

A. You will get a few very wealthy men.

11058. *Q.* Will not the population be better off after a little interval?

A. It is too big a country. You are going to raise the cost of living all over the country for making a few people rich.

11059. *Q.* You say in answer to Question No. 30 "In almost every case export duties are undesirable." You know that it is necessary that surplus foodstuffs should be exported. Would you allow this surplus to be exported without any duty?

A. I do not see any object in stopping the natural flow of trade.

11060. *Q.* There is no stoppage if you put on export duties?

A. I am only talking from the second-hand knowledge which I have got.

11061. *Q.* You have not got firsthand knowledge of these matters?

A. No.

11062. *Q.* How many members are there in your Association?

A. 86 firms.

11063. *Q.* Representing different trades?

A. Yes.

11064. *Q.* Was this question considered by the Sub-Committee appointed by these members?

A. Yes.

11065. *Q.* The written evidence which you have given may be regarded as the opinion of these bodies?

A. The questionnaire was sent out to several members and the different answers were considered and amalgamated.

11066. *Q.* The members of the Association are mostly interested in the import trade of the country?

A. Yes.

11067. *Q.* High import duties, in their opinion, hamper their trade?

A. Yes, in that they will raise the cost of living to their assistants very badly.

11068. *Q.* That is why they are in favour of a free trade policy?

A. That is one of the reasons.

11069. *Q.* They want the import tariff to be kept as low as possible?

A. Yes. But the Trades Association's views cover a wider ground.

11070. *Q.* Has your Association considered what effect that would have on the general progress of the country, apart from their own interest as traders?

A. I could not tell you.

11071. *Mr. Mant—Q.* In answer to Question No. 3 yours Association make a sweeping condemnation of the tariff. Your Association is in favour of Free Trade and the present tariff has been constructed on Free Trade principles. But you have not got a good word to say for it.

A. As far as I can make out it has been based on such extraordinarily unscientific principles.

11072. *Q.* You make very hard remarks about it. You say that some articles are taxed too high and some too low. Can you tell me which are taxed too low?

A. May I confine myself to my own trade?

11073. *Q.* Yes.

A. The duty on printing machinery is in some cases 11 per cent. and in some cases 2½ per cent.

11074. Q. In the tariff schedule?

A. Yes.

11075. Mr. Rhodes—Q. Is that your interpretation or are you giving actual facts?

A. I am giving actual facts. I have been in correspondence with the Customs Department on the subject.

11076. Mr. Mant—Q. Could you give me the number in the schedule?

A. 123, I think.

11077. *Q.* Printing and lithographic "material" 2½ per cent. But you said that some machinery is taxed at 11 per cent.?

11078. *A.* Those that are included in my letter to Government. We represented as follows in our letter to Government. "An examination of the schedule would seem to point to the fact that it cannot be intended to be exhaustive. For instance, stereo blocks are specified but not wood blocks, half tone blocks or electrotype blocks; yet these are all *bonâ fide* printing materials. No mention is made of guilloting paper-cutting machines, although these are essential portions of a printing office equipment. Other contradictions manifest themselves if the schedule is examined. For instance gold blocking presses, "army" presses (which we presume to be a misprint for "arming" presses) and paper folding machines are mentioned, while stitching machines (wire and thread), and bundling machines are omitted and yet they are just as essentially printing equipment. In the same way, standing screw and hot presses are mentioned but rolling machines are omitted, although they are used for the same purpose. We quite agree with you that while the schedule stipulates the words "namely", only such articles as are mentioned therein can be taken as stipulated. But we suggest that the intention of Government was to give the scheduled articles as typical instances as the technical articles in use in a printing office are far more numerous than specified." My criticism is this. The intention of the Government in framing the schedule was to except printing materials from duty in order to encourage the printing industry.

11079. *Q.* You mean that they should all be assessed at 2½ per cent?

A. Yes. You bring in a lino-type machine at 2½ per cent. but the metal for making the type on your lino-type machines has to pay 11 per cent. which is an extremely serious thing. The manufactured type is brought in at 2½ per cent?

110780. *Q.* I gather the whole of this complaint is due to letting in machinery at the cheaper rate. I think the trouble is in the 2½ per cent.?

A. 2½ per cent. is too low, and 11 per cent. is too high.

11081. *Q.* You will still have your inconsistencies unless you charge all at the same rate. Your criticism is really directed against admitting machinery and material at a lower rate than the general rate. That is the burden of your criticism?

A. The criticism is that if you are going to lay a burden on printing machinery why not be consistent? Nobody will object.

11082. *Q.* I am afraid it would be difficult to specify all the names of these stitching machines and bundling machines and other things in the schedule. It would be avoided if you have one uniform tariff?

A. Certainly.

11083. *Q.* I understand that this is really the only criticism you have of the schedule?

A. I did not know that I would have to give evidence before the Commission. Otherwise, I could have collected a number of examples.

11084. *Q.* The inconsistency is all due to having lower rates for machinery and materials?

A. The tariff is so inconsistent. Every tradesman has some articles to bring forward by way of quarrel against the tariff. For instance tantaluses pay 20 per cent. and the Glass bottles in them pay 11 per cent. so that if you brought out the bottles and frames packed separately you could bring out at 11 per cent. only.

11085. *Q.* I think you will have such kinds of trouble everywhere?

11086. *Mr Rhodes—Q.* Mr. Hooper, in the interests of the consumer in India, I think you advocate Free Trade?

A. Yes.

11087. *Q.* Broadly speaking, I think that unless a very large proportion of the population is going to be benefited, you would not have Protection?

A. Yes.

11088. *Q.* As regards these inconsistencies in the tariff to which you referred, the only way of meeting the difficulty would be a revenue duty, I presume, of the same rate for anything that comes in?

A. Yes.

11089. *Q.* That would probably be the only way of getting rid of these inconsistencies?

A. Yes.

11090. *Q.* Would your Association advocate that?

A. Yes.

11091. *Q.* In answer to Sir Manecjee Dadabhoy you said that your Association is practically entirely engaged in the import trade?

A. Yes.

11092. *Q.* Fundamentally you are here not to import goods but to supply your customers with goods?

A. Yes.

11093. *Q.* So that, if your customers made a demand for goods of local manufacture, your Association would not lose this trade, but direct its trade to selling locally manufactured goods instead of imported goods?

A. Yes. We do everything we can to encourage it.

11094. *Mr. Coyajee.—Q.* You say that if an article is to be taxed at all, it can bear five per cent. for revenue purposes. Do you think it good for industries when a good deal of machinery can be imported at 2½ per cent.? Would it improve matters to raise it to 5 per cent.?

A. Well, Sir, you don't import machines very often and when you do they ought to last you for 10 years. So 5 per cent. would not hurt very much.

11095. *Q.* The same machine is not imported often but every industry has to import a lot?

A. I have myself imported 2½ lakhs worth of machinery within the last 18 months.

11096. *Q.* In the same paragraph you observe that an all round duty of five per cent, or seven and a half per cent. would probably in the end yield just as much revenue without doing so much harm. Do you think that the same rate of duty should be paid by the basic industries like iron and steel as others?

A. I would rather not answer that question. I have not studied this point.

11097. *Q.* In answer to Question No. 11 you say that in some few instances a protective tariff might be desirable. You would be prepared to give Protection when an industry is threatened?

A. Yes.

11098. *Q.* Supposing an industry is threatened owing to the fall of the exchange value of a foreign money?

A. That is a very unusual circumstance; in an unusual circumstance, special legislation might be adopted.

11099. *Sir Webb.—Q.* I only want to ask you one question and that is whether you think the present tariff is checking the imports of goods from abroad?

A. A good deal.

11100. *Q.* You think that the present tariff is restricting imports to some extent?

A. Yes. It will have to stop before long. People cannot go on living on their stock always.

11101. *Mr. Narottam Morarjee.*—*Q.* In reply to a question put by Sir Montagu, you said that it was the tariff that had affected the imports. But is it not true that there is at present a big slump, a world wide slump in trade?

A. The tariff has come at a time when people are heavily struck with stock.

11102. *Q.* Does not exchange make a good deal of difference? People ordered goods which they are getting rid of now. Until the stocks are cleared, they would not import more of them.

A. I don't know.

11103. *Q.* Now, there are more goods in India than the country needs?

A. Undoubtedly.

11104. *Q.* You know England favours Free Trade. Do you know however that on foreign cars England charges a $33\frac{1}{3}$ per cent. duty?

A. I do not know.

11105. *Q.* You can take it from me that England levies $33\frac{1}{3}$ per cent duty. Why does she do it?

A. For revenue purposes, I suppose.

11106. *Q.* No, it is not for revenue purposes. It is simply to protect her motor manufacturers. Otherwise, England would not levy such a high duty. When England adopts such a protective policy, don't you think that India, whenever it is necessary to protect her industries, should levy such duties as circumstances require?

A. The case is not analogous. Nobody is going to be poorer in England because of the $33\frac{1}{3}$ per cent. on an Italian car, whereas if you are going to put up all sorts of tariffs to protect even small industries, you are going to make the people poorer all over the country.

11107. *Q.* In England too people are clamouring about this high duty on motor cars which they say they could not get cheaply for transport purposes. Does America produce cars much cheaper than England?

A. I do not know anything about the motor trade.

11108. *Sir Edgar Holberton.*—*Q.* Why did not your Association answer the questions either on import trade or on retail trade?

A. I am afraid that there has been some omission on the part of the Secretary, Trades Association, because I recollect that answers were put down.

11109. *President.*—*Q.* Did I hear your answer properly to Sir Montagu Webb? You said that you thought that the diminution in imports was due wholly or largely to the tariff imposed?

A. His question was whether, in my experience, and in my Association's experience, trade had been checked by import duties. I said that there was no doubt about that.

11110. *Q.* Is it due solely to the tariffs?

A. It has caused people to spend less.

11111. *Q.* Prices have substantially gone down this year?

A. No, Sir. They have gone up. The articles I am speaking of are articles of food.

11112. *Q.* Provisions?

A. Yes, tinned provisions, biscuits, all imported provisions. Prices of these have gone up enormously.

11143. *Q.* The present tariff has checked imports?

A. I have no knowledge. All I know is that the cost of living has gone up very much since the duties were raised. I should think that the cost of living has gone up in Calcutta to the extent of 25 per cent.

Witness No. 74.

Professor C. J. HAMILTON, M.A., Cantab: I.E.S., Professor of Economics, Patna College.

Written statement, dated the 3rd January 1922.

11114. *Q.* 1. I am generally in favour of a policy of free trade and during the Fiscal Controversy inaugurated in England by Mr. Joseph Chamberlain I was one of the fourteen economists who signed a manifesto in favour of that policy being maintained in Great Britain.

By generally favouring a policy of free trade I intend to imply that I accept as incontrovertible the proposition that the economic dividend to the capital and labour of nations as a whole and the national dividend of each country in particular, apart from certain special qualifications commonly recognised in economic theory, will be increased by taking full advantage of international division of labour and exchange. I accept also the usual limitation to the free trade theory that exception may have to be made in the case of those forms of production which a nation should maintain in the interests of national safety. I reject as unsound the arguments sometimes advanced in favour of Protection that it is necessary in order to maintain a high standard of comfort among the working classes and that it benefits the consumer in the long run by securing to producers the economies of production that result from a monopoly of the home market.

I reject as unsound certain arguments frequently advanced in popular discussion in favour of Protection to manufactures in India. It is sometimes supposed that the mere lack of manufactures is a prominent cause of the poverty of the Indian people as measured by the wealth per head of population. It is thought that if manufactures could be established there would of necessity be an improvement in the normal standard of living. This is probably no more than a crude deduction from the observed fact that those countries with the highest level of wealth per head are also the countries with the largest extent of manufactures from which the false conclusion is drawn that manufactures are in themselves a superior source of wealth to agriculture. This opinion is sometimes clothed in *quasi*-scientific form when it is said that capital and labour must be more productive when devoted to manufacture than to agriculture because the law of increasing returns applies in manufacture while that of decreasing returns applies in agriculture. This theory involves a fallacy. It ignores the fact that India now benefits from the increasing returns obtained in manufacture through the process of exchange and that the establishment of manufactures in India, if less efficient than those elsewhere would reduce those advantages. Much the same central idea is involved in the common belief that a country is impoverished by the export of raw materials in exchange for finished goods.

Speaking broadly, a protective tariff would lower the national dividend in India and so lower the real incomes of the majority of the Indian peoples.

While this conclusion establishes a strong presumption in favour of a free trade policy it does not shut out the possibility that a protective policy may be justified in so far as it is calculated to secure certain advantages that may be worth a sacrifice of present or even permanent wealth. The cases that in my opinion need special examination may be indicated in the answer to Question No. 9.

If the general argument in favour of the advantages to be gained from international exchange is sound, it follows that any form of tax which reduces those advantages imposes a double burden on the taxpayer; it takes the amount of the tax from his pocket and in addition it lessens the fund from which his taxes are paid. To this extent any form of customs duty is a bad tax which reduces the gain to be derived from international division of labour. I do not here consider the exceptional cases in which one nation may succeed in taxing another nation by means of customs duties because they are so far exceptional as not to be a valid ground for such duties in general. Even the imposition of customs duties on goods not produced within the taxing country suffers

from the disadvantage that it lessens the sum of utility from exchange. It thus contravenes the maxim referred to by Lord Salisbury in one of his despatches on the question of the Cotton Duties, that a tax should fall on realised wealth. This maxim is perfectly sound in theory but in practice it cannot always be observed. I do not regard it as practicable at present to do without customs duties in India. But while they may be a necessity the disadvantages attaching to them should be realised.

11115. *Q.* 2. The question does not appear to lend itself to a simple unqualified answer. From a strictly economic point of view direct taxation, levied so as to fall on realised income, is preferable, in my opinion, to taxation derived from a customs tariff for the reason that the former does not, while the latter does tend to lower the fund from which taxes are paid. But this general principle is subject to two important qualifications; (*a*) many incomes, especially those of the poorer classes, are not easily reached by means of a direct tax; (*b*) certain forms of expenditure, *e.g.*, on luxuries, are proper subjects for taxation and these are often easily reached by means of a customs tariff. Customs duties should therefore normally be confined to low rates on articles of common consumption that will yield a considerable revenue, accompanied by excise duties on goods of the same kind produced within the country, and to higher rates on articles of luxury.

Coming to the limited question of the preference as a means to additional revenue in India at the present time between an increase in customs and an increase in direct taxation. I should prefer the latter for the following reasons:—(*a*) During the last eight years there has been a considerable transfer of tax burden from the cultivating class to that of other classes and I consider that the cultivating class is now relatively under-taxed. Customs duties do not reach this class except to a very limited extent. The following table shows the tendency for this transfer of tax burden.

Principle Heads of Revenue (in lakhs of rupees).

	Accounts.	Revised Estimates.	Increase per cent.
	1912-13.	1920-21.	
Land Revenue .	31,92	32,62	plus 2
Opium . . .	7 68	3,62	minus 53
Salt . . .	5,00	6,86	plus 37
Stamps . . .	7,60	11,28	„ 48
Excise . . .	12,42	20,21	„ 63
Customs . .	10,79	32,24	„ 198
Income tax . .	2,61	17,93	„ 548

(Less Excess Profits Tax and Refunds)

The great increases of taxation have taken place under the heads of customs duties and income tax. The customs duties are paid principally by Europeans and Indians with westernised habits of consumption; by those engaged in industry and works of development; and by middle class Indians to a less extent. The classes that are relatively undertaxed are the *raiyats*, those who make trading profits which do not come within the purview of the income tax collector, and the larger rent receivers from agricultural land. The fact that the *raiyat* is undertaxed is likely to be keenly disputed but in support of my contention I would point to the increase that has taken place in prices and wages during the last eight years, and more particularly during the last four years, an increase that is very unlikely to be withdrawn to any very great extent, while the receipts from land revenue have remained almost unchanged. Any addition to the taxation of land is customarily met with the argument that there are large numbers of cultivators who can only just subsist. The answer to this argument is that under existing conditions in India population will always multiply up to the margin of subsistence so that relief from taxation given to the agricultural classes tends to lead to a further subdivision of holdings and an increase of population. An increase in the taxes on land, given moderation and the necessary elasticity in collection, will not cause a fall in the standard of comfort. If in consequence of the conditions of land settlement variations in the amount of land revenue cannot be easily adapted to meet changes in the general level of prices there is need for a new form of tax that shall fall on the cultivating classes. Recent changes in the existing taxes have imposed an additional burden on these classes, *e.g.*, the tax on third class railway passengers and the enhanced duty on kerosine oil. But I consider that these do not secure from this section of taxpayers the additional revenue which is justified by the rise in prices and by the fact that much public expenditure is now of the nature of productive expenditure which will increase the earning power of the cultivators.

(*b*) The second reason for disapproving a further recourse to customs duties as a source of additional revenue is that the duties are already higher than is consistant with the principle of a tariff for revenue. It has been pointed out that a high tariff is apt to be self-destructive in principle. It seems probable that the imposition of higher rates would penalise unfairly particular classes of consumers and would involve in a number of cases the evils that have already been indicated as attaching to protective duties.

I recognise that the strong argument in favour of having recourse to customs duties is that they are popular. But in my opinion there is a limit to the extent to which a Finance Minister should have recourse to taxation which is economically bad for the State even though popular prejudices are blind to the fact of its evil consequences.

11116. *Q.* 4. This question assumes that "existing principles" are well defined. In point of fact the present Indian tariff is in many respects a compromise tariff. It has departed from the strict principles of a tariff for revenue and includes articles that imply a tentative admission of the virtues of Protection and of Imperial Preference. I have already expressed my general reasons for the belief that the tariff should be a low revenue tariff. The special arguments in favour of Protection in India and of Imperial Preference will be considered under subsequent questions.

11117. *Q.* 5. It is often asserted by a certain school of Indian writers that British tariff policy has been largely responsible for the destruction of Indian industries in the past and for their relative insignificance at the present time. This charge rests upon three main arguments; (*a*) that by means of the British tariff Indian manufactures were severely handicapped during the 18th and early 19th centuries by the high protection afforded to British manufacturers in the home market against Indian silk and cotton goods; (*b*) that the British policy was deliberately directed towards making India a source of supply for raw materials; (*c*) that by imposing free trade upon India the incipient Indian industries were heavily handicapped in the face of foreign competition.

An examination of the facts shows, in my opinion conclusively that British tariff policy as affecting Indian exports was a negligible factor in the decline of the Indian cotton and silk industries. The British Government never set itself to make India a source of raw materials and the East India Company were responsible for a number of acts which were directed towards the encouragement of Indian industries. It is true that the policy of free trade adopted early in the 19th century and pursued thereafter exposed the Indian handicrafts as well as such machine industries as have been established since to the full force of competition from the machine industries of the West. This has hastened the decline of a number of the old cottage industries although in the case of the most important, *viz.*, that of hand-loom weaving, the free trade policy has probably contributed towards its maintenance through the provision of a cheap supply of imported yarn. Protection in the home market would probably have brought about a more rapid growth of the Indian cotton industry and of the iron and steel industries. This would have been at the expense of the Indian consumer and in the case of iron and steel particularly at the expense of other forms of production just as in Japan the protective duties on iron and steel have increased the cost of Japanese shipbuilding and railway construction. That an industry is not handicapped by free trade provided that general economic conditions are favourable is shown by the fact that during the only period when the Indian cotton manufactures were without

any advantage from import duties, *viz.*, from 1882 to 1894, they expanded at a faster rate than before.

11118. *Q.* 6. In theory I approve of the imposition of an excise duty on goods produced within the country of the same kind as goods imported when the latter are subject to an import customs duty on the ground that it enables a given revenue to be collected at less cost to the taxpayers. But the practical expediency of such an excise duty must largely depend on the cost of collection relative to the duty realised. Thus in theory an excise duty on Indian produced sugar is as desirable as an excise duty on Indian woven cotton goods but in practice the difficulty of collection in the case of sugar may be considerably greater.

11119. *Q.* 7. My chief reason for supporting an excise duty is that it prevents home producers from pocketting a surplus at the expense of the consumer.

11120. *Q.* 8. The effect of an excise duty on selling price will not be uniform under all conditions. This may be illustrated by considering certain hypothetical cases. Suppose that the demand for a given commodity is met partly by an imported, partly by an indigenous supply. Suppose that an import duty is imposed on the goods in question and that the imported supply is subject to conditions of approximately constant cost. Then the first effect of the duty will be to raise the price of the goods by an amount nearly equal to the duty. If the demand for the goods is inelastic the ultimate effect on price will depend mainly on the conditions affecting the supply of the indigenous product.

(*a*) If this supply is highly elastic the price rise will bring forth an increase of indigenous goods to take the place of the previously imported goods and the ultimate price will not rise by the full amount of the duty. The effect of the duty will be highly protective and the producers most favourably situated will get a bounty or surplus profit, equal to the rise in price.

If now an excise duty is imposed equal to the import duty the indigenous supply will be restricted to some quantity between the amount produced before the imposition of the import duty and the amount produced after the imposition of the import duty but before the imposition of the excise duty. There will be a rise of price as the result of the excise duty, but the rise will not be equal to the full amount of the duty.

(*b*) If the indigenous supply is inelastic the price rise due to the import duty will bring forth no important addition to this supply and indigenous producers will get a surplus profit nearly equal to the amount of the import duty. If then an excise duty is imposed it will transfer this surplus to the Treasury without causing an appreciable rise in prices.

(*c*) If, now, instead of supposing that the imported supply is subject to approximately constant cost, it is imagined to be subject to the law of diminishing returns acting more sharply than in the case of the indigenous product, then the effect of the import duty plus excise duty will be to reduce indigenous supply more than imported supply. Price will rise, but less than by the amount of the tax, and indigenous supply will be a smaller proportion of the total than before.

1112 . *Q.* 9. In the answer to Q. No. 1, I expressed the view that a protective tariff would reduce the national dividend in India and for that reason I generally favoured a free trade policy. At the same time the effect of the tariff upon the present level of wealth is not by itself a sufficient criterion of its expediency. Assuming for the moment that a tariff would be an efficient means for establishing industries in India it is necessary to consider whether any advantages would be likely to follow that would be worth the direct economic loss which the tariff would cause.

In the Report on Indian Constitutional Reforms certain reasons for the need to encourage the growth of Indian industries are set out. A brief examination of some of the points involved may suggest the extent to which these reasons are valid.

(*a*) INDUSTRIES AS A MEANS OF PROTECTION AGAINST FAMINE. The authors of the Reforms Report say "The economics of a country which depends to so great an extent as India on agriculture must be unstable." It is generally true that a regular income is preferable to an irregular even when the latter gives a higher average of receipts. The irregularity of receipts is a heavy burden upon the Indian agriculturist on account of the very heavy interest which he pays on loans to tide him over the loan periods. To what extent would protected industries be likely to give more regular income or higher income to the agricultural classes ? It is clear that in so far as the incidence of the protective duties was upon the agriculturists and if they did not benefit from the introduction of industries in other ways that their real income would be lowered and their resisting power against famine would be less. One of the reasons for the small income earned by the cultivator is that he is often compelled to pass much of his time during seasons when cultivation is not in progress in idleness. As a remedy for this the development of the so-called cottage industries has been advocated which may offer a subsidiary employment and a supplementary source of income.

It does not seem to me likely that the imposition of a protective tariff would bring such industries into existence in any considerable degree. The more usual village crafts are not carried on as a bye-employment to agriculture but as the chief source of income to which agriculture is itself subsidiary. Cotton spinning was in former times a true bye-employment but hand spinning is so much more expensive than machine spinning that a protective tariff would not stimulate Indian hand spinning in face of the competition from the Indian mill made yarn.

There is undoubtedly a large waste of labour power among the Indian agriculturists at the present time but it is very difficult to organise its employment economically by means of cottage industries. It is clear that to form an effective protection against the fluctuations of agriculture the demand for the services of the local cottage workers must be independent of the success or failure of local agriculture. If the former is directly dependent on the latter both will collapse in time of famine. This is in fact the case to a great extent with the hand-loom weavers. An organization which would widen the market for the products of the hand-loom weavers would set them free from this dependence on local agriculture. But this very result, if secured in one region, would *ipso facto* render other districts more exclusively dependent on agriculture. In any case Protection does not appear to offer any prospect of such a wider market.

In Japan the agriculturists derive some considerable advantage from cottage industries in which the workers supply markets that are independent of local agricultural condition. Instances may be found in the straw-braid, cotton hosiery, brush, and match industries. The districts which benefit are however in fairly close proximity to the towns where the costs of carriage to market are low. It is probable that if protection were afforded in India sufficient to induce the growth of such industries in this country that some benefit would accrue to the cottage workers in the neighbourhood of the chief industrial centres but there is little prospect of advantage to the great body of Indian agriculturists and the effect as a protection against famine would be negligible. Moreover Japanese experience suggests that even where the cottage labour cost is very low cottage industry cannot compete wich factory industry as soon as a market is secured for any large amount of goods. Thus one of the effects of the increased demand for cotton hosiery in Japan as a result of the war to transfer production from the cottage to the factory.

If the agriculturist benefited from the growth of protected industries it would be mainly from the rise of machine industry localised in the various industrial centres. At present the coal mines, cotton and jute mills, etc., afford employment to a large number of persons who retain their connection with agriculture. A considerable portion of the wages earned in such industries is spent in the villages and undoubtedly adds to the resisting power of the people in time of famine. Moreover the existence of alternative employment in industry benefits the agriculturist in other ways. It causes agricultural wages to be more responsive to changes in the cost of living. The return of industrial workers to the villages where they spend their accumulated earnings also tends to raise the village standard of comfort.

Employers of labour generally aim at replacing migratory workers by a permanent resident labour supply and as this endeavour succeeds the connection between industrial workers and the economic life of the villages may be

less important. But labour cost is an important item in determining the location of many industries and labour in the country districts will be cheaper than in the neighbourhood of cities. In Japan in recent years there has been taking place some migration of the cotton mills from Osaka to the agricultural areas in order to secure a cheaper labour supply. Thus the balancing of advantages may lead certain industries to prefer agricultural districts to the more highly industrialised centres.

In any case the interconnection of the industrial with the agricultural areas will be considerable since the workers in the former will be largely recruited from the latter and through the continuance of family connections the earnings obtained in industry will be partly available in aid of the agricultural population.

It appears then that a growth of industries is likely to have an important effect on the life of the agricultural districts, not only by providing a supplementary source of income in time of agricultural distress, but through the effect that it is likely to have on the standard of comfort of the village population as the result of the modification of the habits of consumption.

(*b*) INDUSTRIES AS A MEANS TO RAISE THE GENERAL LEVEL OF WELL-BEING.

In the Report on Constitutional Reforms it is remarked that "The people are poor; and their poverty raises the question whether the general level of well-being could not be materially raised by the development of industries." This passage ignores the distinction between industries which arise because of ability to produce goods at lower cost than they can be obtained elsewhere and industries which are maintained by means of a tax on consumers for the benefit of producers. Other things being equal the latter will impoverish and not enrich a country.

The term well-being has a wider connotation than the term wealth. Whether the well-being of the people of India would be increased by the social and moral transformations that are likely to accompany industrialisation is a question that cannot be answered by merely economic reasoning. I have already indicated that in my opinion the question whether industries obtained by means of Protection would lessen the poverty of the Indian people depends on the extent to which certain indirect gains from more extensive industries would offset the direct loss incurred by the sacrifice of free international exchange. But there is one indirect loss that is likely to follow upon increasing industrialisation which may here be indicated.

In India as elsewhere the industrialisation of the people is likey to cause a number of social economic problems to arise that will involve new forms of public expenditure. Industrialisation is likely to bring about new forms of poverty, of sickness, as well as such socio-economic disturbances as arise from the conflicts of capital and labour. In other countries these have led to the growth of public expenditure under the heads of Poor Law, Hospitals, Sickness and Unemployment Funds, Labour Exchanges, etc., which in the aggregate amount to a very heavy tax on the community as a whole. The inevitable tendency will be for the same institutions to be set up in India and their cost should be included in the general estimate of the financial burdens which would result from an industrialisation secured by means of Protection but which would not otherwise take place.

(*c*) INDUSTRIES AS A MEANS TO INCREASED OCCUPATION FOR THE MIDDLE CLASSES.

The Report on Indian Constitutional Reforms remarks "That it is clear that the lack of outlet for educated youth is a serious misfortune which has contributed not a little in the past to political unrest in Bengal."

The suggestion is that the growth of industries might allay unrest by providing more opportunities for employment among the educated youth. In view of current political changes the end in view suggested by this passage is something of an anachronism. It is reasonably certain that increasing industrialisation in India will bring about more political unrest than it will allay although it may not be directed against the present system of British rule. Further, the increase of industrialisation is not likely to reduce the pressure of educated and semi-educated youth upon the available openings for employment. Public opinion in India is in favour of very cheap secondary education. The classes from which the recruits to the secondary schools and the colleges come are steadily increasing in numbers and there is no probability that the demand for the services of the graduates of such schools and colleges will expand as fast as the supply. There is likely to be considerable political pressure for the multiplication of jobs for educated youth. But, while the growth of industry is not likely to cause demand to equal supply, it is likely to cause the demand to increase.

The advantage that would follow from this is not the elimination of political discontent but the increased opportunity for educated Indians to gain a training and a form of experience that is extremely valuable in the world of affairs. The weakness of the educated Indian in so many cases, judged from the standpoint of efficient administration, is that he lacks the grasp of realities, the capacity to bring a trained judgment to bear on the financial and economic aspects of public business. If a larger number of Indians were to receive that form of training which is implied in the conduct of the larger enterprises of an industrial and commercial kind it would react very importantly on the quality of Indian administration in public affairs.

The extent to which an opportunity for the employment of educated Indians would be afforded by the development of industries is, however, often exaggerated. It is forgotten that a large volume of industry can be maintained with the aid of a comparatively small directive staff. According to the Indian industrial census of 1911 the number of persons employed in factories having 20 employees or more was 2·1 million. Of these only 3 per cent. or 70,000 were engaged in direction, supervision or clerical work. It is clear from these figures that the number of positions of importance in the direction of industry is very small relative to the population. In many industries the majority of the directive posts are held by Europeans, but in 1911 in the whole of India only 9,100 Europeans and Anglo-Indians were so engaged in the factories included in the Industrial census.

In 1915 the total number of persons employed in Factories employing 50 persons and over both under Government and private enterprise numbered 1,135,147. If we take 1 per cent. as a liberal estimate of the proportion of those holding directive and supervisory posts the number so included would be 11,351 for the whole of India. Even if it be supposed that industrial development under Protection should multiply factory industry several fold in the near future the total field of employment in the more responsible and higher paid posts would not be very large. These figures suggest with what caution a policy of taxing the consumers in order to provide employment for the educated middle class should be approached. The statistics of the Industrial Census and of Large Industrial Establishments referred to above do not include those occupied in commerce and transport. But there is no reason to suppose that Protection would largely increase the volume of trade. On the contrary it might even diminish it. It would not be right therefore to estimate any gain of employment as likely to result under these heads from a protective policy.

Protection of Indian industry is likely to lead in some quarters to a demand for the protection of Indians in industry and commerce. If such a policy were successful it would in my opinion strangle India's hope of rapid industrial expansion. It would have the effect of rendering a moderate protective tariff of no avail in which case the industries would fail or they would have to be kept alive by means of a much higher rate of Protection and, in consequence, a much higher tax on consumers.

(*d*) INDUSTRIES AS A MEANS TO CHECK THE "DRAIN" OF PROFIT.

The Report on Constitutional Reforms contains the following passage. "They (Indians) noted that her (Indian) foreign trade was always growing, but they also saw that its leading features continued to be the barter of raw materials valued at relatively low prices for imported manufactures, which obviously afforded profits and prosperity to other countries industrially more advanced."

It is not clear whether this passage is intended to contain a mere statement of current opinion or whether it is meant to convey approval of the belief that the exchange of raw material for manufactures is a source of loss to a country. There is a crude popular notion that the wages of labour profit of employers, and interest on capital that make up the difference between the cost of exported raw material and the price of the imported finished goods represent forms of wealth that can be "saved" by the simple process of refusing to import the finished goods.

It is of course always possible to save these items of expenditure by the practice of self denial in the shape of going without the goods. But man cannot live by bread alone and in so far as the trade of import and export arises, from the Indian point of view, from the voluntary exchange of the producers of raw materials it may be supposed that they do not wish to save in this way.

The drain theory, however, implies that by prohibiting the export of raw materials, or, alternatively, the import of foreign manufactures, the wages, profits, and interest now earned by the foreigner would be retained in India. But these incomes are the fruits of labour, saving, and organisation as well as of other raw materials such as coal and iron used in the process of manufacture. Unless these "factors of production" are also transferred to India and worked there as efficiently as they are now worked abroad India cannot hope to enjoy the incomes which they create. The only element of truth in the drain theory lies in the assumption that these factors now exist, latent and unexploited, in India. This assumption is true only to a very limited extent. The problem thus resolves itself into the question how far Indian capital, labour, and raw material can be best exploited to Indian advantage.

(*e*) INDIA AS A BASE FOR MILITARY OPERATIONS.

The Report on Constitutional Reforms says "The possibility of sea communications being temporarily interrupted forces us to rely on India as an ordinance base for protective operations in Eastern theatres of war. The development of India's natural resources becomes a matter of almost military necessity."

The discussion of this question clearly lies outside the sphere of economics merely but it is relevant to point out that, in the first place, if sea communications were interrupted, the utility of India as a base of military operations would be limited to those necessary for Indian defence on land and this would greatly limit the scope of the problem; and in the second place, the experience of the recent war shewed that even in the present stage of Indian industrial development large supplies of munitions could be obtained from India.

(*f*) Protection to industries is sometimes advocated on the ground that it leads to an increased accumulation of capital in the protected country. This argument is often rebutted by the contention that since Protection is likely to reduce the national divident it will diminish the margin of incomes from which saving takes place and is thus likely on the whole to lessen the accumulation of capital. But admitting the general truth of this argument, it is in my opinion possible that Protection may lead to an accumulation of capital that would not otherwise take place. For Protection may be regarded as a tax on incomes which diverts a part of the national dividend from those who would not to those who would use this wealth as capital. It is, of course, implied that the rate of protection is such as to yield a surplus over and above the profit required to remunerate the capital invested in the protected industry. It should, however, be understood that the accumulation of capital is not a desirable end in itself. To tax the consumer in order to accumulate capital with which to expand industries which continue to supply goods that might have been more advantageously obtained by international exchange does not benefit a country. The ultimate justification of such a tax is to be found in the increased dividend which results from its productive employment. It follows that the capital so obtained must be assumed to be invested in industries complying with the conditions of the infant industries argument.

In the arguments in favour of the development of industries in India which have been referred to I have noticed two that are independent of the question whether the industries would be likely within a reasonable time to add to the national dividend, *viz.* the possibility of stabilising agricultural incomes and the possibility of giving a wider range of employment and a better training to the educated middle class. In my opinion both these advantages would follow upon a growth of industries and to secure them it would be worth while to sacrifice a certain amount of national wealth. But the extent of these advantages should not be exaggerated. As regards the first the effect would be greatest in the neighbourhood of the large industrial centres. As one travelled away from these the benefits would diminish and very large areas would derive little or no benefit at all while they would suffer from the increased cost of living. As regards the second the cost of a protective tariff would fall most heavily on the middle class and for some time at least the members of this class would be certain to lose, economically, more than they gained. Having regard to the fact that the great majority of the middle class are relatively poor and their range of wants as they become accustomed to more educated methods of life is increasing it would be a serious mistake to adopt a tariff policy that would impose upon them a large increase in the cost of living.

11122. *Q.* 10. National self-sufficiency from an economic point of view appears to me ridiculous as an ideal and only possible among persons unfamiliar with the elementary principles of international trade. Even if in time India were able to make all the manufactured goods which she consumed more cheaply as regards cost than any other country it would still be to her advantage to import some in exchange for exports.

Oral evidence, Calcutta, the 16th January 1922.

11123. *President—Q.* You are Professor of Economics in the Patna College?

A. Yes.

11124. *Q.* You have not had any experience of actual trade or commerce.

A. Yes, I have. As a matter of fact many years ago for 3 years I was in charge of a business department of a large firm in London; that was before I went to Cambridge. The firm was doing a large amount of export trade with Australia.

11125. *Q.* I have gone through your statement. I should like you to summarise your position if you have no objection. You advocate free trade.

A. Well, Sir, my position is, as I have perhaps tried to suggest in my note, that I am generally speaking in favour of free trade, but I recognise certain grounds which would justify a departure from the pure principles of free trade under certain circumstances. Some of these circumstances I have suggested in my note. The two most important exceptions I would make to the general position of free trade are first that I think certain indirect advantages may accrue to a country through the development of industries, even though they may cost the country something in the shape of reduction in the total wealth production. Amongst these indirect advantages, two are particularly important from an Indian point of view. One is, I think, the effect which the development of industries would have upon the position of the agricultural population in respect of protection against famine or general distress from fluctuation of agricultural conditions. Another indirect gain would in my opinion result through the advantage to the educated Indian class, not so much through the increased scope for employment that it might give but through the very important benefits that, I think, would result from giving a direct administrative and economic training to the educated Indian class, which I think is specially important in view of probable political developments in India. Then the other main exception which I should like to make in favour of a departure from a pure policy of free trade would be in the case of industries which have conditions favourable to their development provided that they can overcome the initial difficulties that naturally arise in a country which has not hitherto been industrially developed, in other words the so-called infant industries. One might find a number of other exceptions to the doctrine of free trade, but I don't think they are of sufficient importance to justify by themselves a departure from the general policy of free exchange.

11126. *Q.* Do you think that the indirect advantages which you have enumerated are sufficient to compensate for the disadvantages which you have indicated of a protective policy?

A. I think that that almost entirely depends on the way in which a protective policy would be introduced in India. I don't think the advantages would compensate for the disadvantages of, we will say, a general high tariff indiscriminatingly imposed on all imports or imports of manufactured articles.

11127. *Q.* You would object to an indiscriminating high tariff?

A. Yes.

11128. *Q.* Would you object to adequate discriminating tariffs for the purpose of developing and fostering industries for which there are natural advantages in India?

A. Provided there were a detailed enquiry that would, for example, satisfy a competent committee of administrators and businessmen. If such a committee were satisfied that the conditions were favourable to such developments, then I should admit that in such cases assistance from the tariff might be justified, but I should like to add as a rider to that that in many cases I don't think a protective import duty is the best method of affording what we may call Government assistance to industries.

11129. *Q.* What other remedies would you advocate?

A. You might take an example. Supposing there is considerable natural advantage in favour of the development of the iron and steel industry in India, suppose that such an industry would not be likely to provide more than a portion of the goods required of that character in India for sometime to come, if then an import duty is imposed sufficient to meet the needs of the iron and steel industry in India, the whole body of consumers of iron and steel goods are penalised in order to benefit the producers of a small section of the goods required in the market. If on the other hand you gave a bounty on production to the iron and steel industry in this country sufficient to meet the deficit between their costs and the costs of imported goods, that I think would be a more economical way of meeting the needs of the industry.

11130. *Q.* Provided Government had adequate means from other sources to find the amount of the bounty?

A. If it imposes a protective import duty, it leads to a considerable loss of revenue. By adapting the method of direct payment of bounties, Government would obtain import duties from such iron and steel goods as were imported. Government, I understand, does give a bounty at present to the iron and steel industry by guaranteeing the purchase of a certain quantity of goods at prices which are in some cases I believe even above the prices at which similar goods can be imported.

11131. *Q.* Are you sure of that?

A. I am not sure of that.

11132. *Q.* My information is that Government gives them preference at competitive rates.

A. I understand there are modifications in the interpretation of 'competitive rates' sometimes. However I do not of course know whether I am well informed on that point.

11133. *Q.* Then your whole point against a definite protective policy is that consumers would be penalised by that policy?

A. I would not say that it is the whole of my objection. My first objection perhaps to the policy of protection as applied to India would be that the advantages which are commonly supposed to be gained from such a policy would not in all probability follow. I think that public opinion in India is misinformed as to the nature and extent of the advantages that would accrue from a protective policy. Some of these mistaken opinions are obviously the result of elementary economic fallacies. Further I do not think that it is at all probable that a high protective tariff in India would lead to a very rapid development of industries. It might in certain selected cases lead to considerable expansion but I believe that there will be difficulties to be overcome.

11134. *Q,* May I interrupt you for a minute. Will you please base your arguments on an adequate protective tariff and not a high protective tariff?

A. My feeling is, after having some knowledge through investigations of the conditions now applying to manufactures in this country, that the obstacles in the way of a rapid development are such as cannot be quickly overcome. If I might take a very obvious concrete instance, suppose it is desired that the Indian cotton manufacturers should supply the whole of the needs of India, so far as cotton goods are concerned. That clearly implies one of two things, either that India should cease consuming the goods which now depend upon the import of fine cottons, cottons of a quality which are not at present grown except in very small quantities in India or that they should develop some resources, which undoubtedly they may possess for the growth of fine cotton in this country. That is a development which must I think take time and depend on all sorts of things, education of the ryot, improved market facilities, and that kind of thing. Now if you impose a considerable addition to the import duty on fine cotton goods, it does not seem to me likely that it would result in the space of five or ten years in the substitution of Indian production for imported production. Therefore the country would have to bear a very considerable increase in cost for I think a fairly long period before any great advance could be made in India for the production of fine cotton goods. At the same time of course the stimulus of a duty would probably hasten the experiments which are now being made in the growth of better qualities of cotton in this country. What I would like to suggest as being the basis of my opinion is that the whole thing is a matter of cost; how much can India afford for the purpose of this experiment and over what period of years should she spread that cost? I think that a protective tariff ought to be regarded as an investment of outlay of money and just as it might be desirable to spend many crores on the extension of Indian railway systems yet it could not be done because India cannot afford immediately a very large outlay, so I believe that even granted the ultimate benefits of a protective tariff, it should be regarded as imposing upon India a considerable immediate cost which has to be multipled by the number of years over which this cost lasts and then you have to consider when the returns will accrue.

11135. *Q.* Do you think that the adoption of a protective policy implies simply cost or expenditure during the period of development and that there are no compensating advantages which can be set off against that cost during the period in which the industries are being developed?

A. I think there are some advantages which could be set off against the cost. I have already suggested one or two.

11136. *Q.* Therefore it is not all on the debit side but there are certain items on the credit side also?

A. Certainly. But in my note I have indicated that public opinion, commonly, and I think greatly exaggerates the extent of these indirect advantages.

11137. *Q.* How do you account for the fact that almost all civilised countries in the world, except Great Britain, have adopted a policy of protection for the development of industries?

A. I think that it proceeds from two things, one a somewhat urgent need which has arisen at various epochs in history for countries to obtain a large increase of revenue. That has led countries to raise their indirect taxes, customs duties being one of the most important of such indirect taxes. The need for revenue has been one of the important causes, and perhaps the most important cause. Secondly I think that a policy of protection is naturally, if I may say so, a policy which appeals to public opinion far more than the policy of free trade. Although I believe that the policy of protection rests so far as it is conceived by public opinion on fallacies, I believe that its fallacies are not easily appreciated by public opinion.

11138. *Q.* If that is so, if the protective policy is based on fallacies, surely it has been in force in many countries for a prolonged period, and would they not have, by actual experience, discovered their fallacies and mended their ways.

A. I don't think that there is any country which has a high protective tariff in which there is not a very large body of public opinion in favour of the reduction, if not the abolition, of the tariff.

11139. *Q.* Please don't say 'high protective tariff' only a protective tariff adequate to develop industries and not higher than what is necessary for the purpose in view.

A. I would say in the first place it is extremely difficult to know always what is an adequate tariff. However supposing you could always discover what an adequate tariff is, the fact that such a tariff exists in the majority of countries has got to be discounted by the further fact that in those countries there is a very large section of opinion opposed to the maintenance of the tariff, but organised particular interests have more political power than the unorganised interests which are probably generally in favour of a policy of free trade. I do not myself attach much importance to the argument that because a protective tariff exists, it should be regarded as having been beneficial.

11140. *Q.* Do you not think that those countries, as a result of prolonged experience, would have reversed their policy ?

A. If you take a fairly long view of economic history, you will see that countries have frequently revised their policy.

11141. *Q.* Will you please name an instance ?

A. Yes, France in the middle of the 19th century, about the Cobden period, approached the verge of free trade policy.

11142. *Q.* And it went back ?

A. Yes.

11143. *Q.* Don't you think the conclusion might be that having tried protection first, and partial free trade next, they found the advantages of protection and went back to protection ?

A. I don't think that was the explanation. I don't think that history supports that explanation.

11144. *Q.* What was the explanation ?

A. It would take long to go into the question in detail. One of the chief causes for the reversion of policy in France was the action of Germany which suddenly adopted a very high protective policy. That brought about a reaction in France. Further political considerations in France and the heavy cost of the war with Germany, all these things helped to bring about a reversal of policy.

11145. *Q.* Having regard to the views which you have expressed, I want to ask you why there are several countries in Europe which have imposed a heavy duty on imported manufactured jute but admit raw jute free and have tried to establish the jute manufacture in their own countries from imported jute. That would certainly raise the price to the consumer, would it not ?

A. Yes.

11146. *Q.* Notwithstanding the factor that the raw material is the monopoly of another country, how do you explain that those countries are still going on with the manufacture of jute goods within their own territory ?

A. It seems to me that it is a simple instance of the protectionist policy which is followed for example by Germany and other countries.

11147. *Q.* Do you think that they have not considered the relative advantages to their country as between the two policies, when they are trying to establish the manufacture of an article which is the monopoly of another country ?

A. It does not seem to me that the question whether jute is a monopoly of India or not enters into the problem. I don't see the relation between the Indian monopoly and the desire of other countries to secure the task or function of manufacturing the jute.

11148. *Q.* The relation is that, these countries after spending a large sum of money on the establishment of this industry, might find that India had differentiated and imposed heavy export duties on raw jute. Don't you think that they have considered the relative advantages of establishing industries from the economic aspect ?

A. It seems to me that they are gambling on the future tariff policy of India.

11149. *Q.* Assuming that India continues the policy of free trade, is it to the advantage of those countries to follow a policy of that character, of imposing a heavy import duty or adequate import duty against manufactured goods and to admit raw jute free for the purpose of manufacturing in their own territories ?

A. If you make the assumption that such countries could obtain their manufactured goods more cheaply from Indian mills or from Dundee mills on a basis of free trade I think that the country which adopts a protective tariff in order to stimulate its own industry for the manufacture of jute loses thereby.

11150. *Q.* And is very foolish if she does it ?

A. It follows that she is following a foolish policy.

11151. *Q.* They are still doing it. There must be some explanation for such phenomenon.

A. Of course the policy may be and probably is in certain cases adopted on the plea that the country can after a short time obtain perhaps if not a monopoly, at least a considerable share of the industry for the production of manufactured jute goods but I think to a large extent it is a matter of division of labour, that is to say Germany for example in imposing a duty on manufactured jute goods and allowing raw jute free is developing a branch of jute manufacture for which she has certain advantages and the cost may not be very considerable to her.

11152. *Q.* We are told that the United States of America has established an important bag making industry in their country.

A. I understand—I do not know whether it is correct—that America is also thinking of founding jute mills on the banks of the Hooghly for the manufacture of jute in this country.

11153. *Q.* That is a different aspect of the enquiry with which we are concerned. I am not going to trouble you with it now. I was merely dealing with the main issue. You think then that in the policy which these people pursue in importing raw materials from foreign countries and manufacturing goods out of these raw materials, they are facing the loss which is obviously incurred on the plea that the indirect advantages to their country of establishing these industries considerably outweigh the disadvantages of raising the prices to the consumers. That can be the only conclusion.

A. I am afraid I do not hold that opinion.

11154. *Q.* Will you please explain why ?

A. In the first place many countries import raw materials from India and manufacture them in their own countries which do not need the aid of a tariff to enable them to establish those industries on a profitable basis. The Dundee jute industry is a prominent instance. If countries such as Germany endeavour to establish jute manufactures by means of a tariff aid it only conforms to their general protectionist policy and without examining the particular effects on each industry it would be difficult to say how far they were justified by their expectations of direct economic gain through the stimulation of an infant industry or how far they were expecting gain from some indirect advantages.

11155, *Q.* I will read to you one sentence out of the Indian Jute Mills Association's statement. They say: "With regard to competition elsewhere, many other countries have now their own jute mills and work up for themselves the raw jute which they take from India: the United Kingdom, Italy, Japan, Spain, Austria, Germany are all instances." All these countries must have examined the economic effects on their own people when they tried to establish industries on these lines. Therefore, the conclusion must appear obvious that the indirect advantages of establishing industries within their own country even under such unfavourable conditions are to the larger interests of their people.

A. Against that I would only suggest two things. The same argument precisely can be used to prove that free trade is the correct policy, since you might assume that the British Government had carefully investigated the whole question and had decided that it was to the advantage of her people that there should be free trade, Clearly, each Government, whether protectionist of free trade, may be credited with some such motive in adopting a policy. Since they cannot both be true, one of the countries is, no doubt, following a mistaken policy. I do not think it is obvious that you must necessarily assume that the protectionist countries are following the correct policy any more than the free trade country.

11156. *Q.* I quite agree. Therefore, I say, we will have to examine, before deciding what is best for India, the local conditions prevailing in these different countries which have led to the policy which each has adopted. Now, taking England, you know that England imports

an overhelming proportion of her raw materials from abroad and depends for the sale of her manufactured goods on foreign markets. Is it not so ?

A. Yes.

11157. *Q.* Then England is singular in that respect as compared to any other country in the matter of proportion ?

A. Yes, proportionately she depends much more than others.

11158, *Q.* While all other countries have to a certain extent their raw materials on the spot and depend for the sale of their manufactured goods on their home markets. Take for instance the United States of America. An overwhelming part of her raw materials which she manufactures is within the country, and she has a very big home market, and she is a protectionist country. From this point of view other countries may be examined, but I will confine myself to these countries, England and America. England with her special circumstances has adopted free trade and the United States of America has adopted protection in her special circumstances. Can it not be that both of them are correct ?

A. If I understand your question correctly it is this : that a country which has a very extensive home market can adopt a protectionist policy with more prospect of success than a country which depends mainly on foreign markets. That I entirely admit is true. That is one reason why I think India is badly placed from the point of view of being a protectionist country. I think it is one of the difficulties in the way of India's industrial development under protection that the home market in India for a very large range of manufactured goods is very small. If I may elaborate that point for one moment, take the condition of the manufacture of vegetable oils in India. India has such a vast supply of oil seeds that it naturally occurs to one that she might manufacture these oil seeds into oils of various kinds and export them. She could not depend, I think, upon the home market to take off a sufficient volume of product to make it worth while to develop this industry on modern lines, and she would therefore have to depend on foreign markets. A protective tariff on imports would therefore directly impede the growth of an export trade in manufactured Indian oils. Therefore, India, to that extent, is in an analogous position to Great Britain.

11159, *Q.* Does Great Britain depend on her home market ?

A. No.

11160. *Q.* Therefore India is not worse off than England in the matter of the oil industry. England has to import her oil seeds, but India has got her oil seeds on the spot. If England can import the seeds and manufacture them into oil and export the oil, why should not India manufacture her own oil seeds and export them ?

A. Because at present she has not the technical and other advantages in respect of those factors of manufacture which are necessary as well as the raw materials.

11161. *Q.* Could they not be built up ?

A. If you assume that, then India would have a better advantage.

11162. *Q.* You have taken as your illustration oilseeds. Look at the huge quantity of manufactured goods that India annually imports. They are all consumed in India and only a very small quantity is re-exported. Is this not an evidence that there is an enormous market for manufactured goods ?

A. It seems to me that the market in India relative to population is very small. The imported manufactures are mainly cotton goods. The remaining manufactures imported may to a very large extent be classified under two heads. One is those things which are necessary for what we may call development purposes,—railways, bridges and the things which might be included under the head "Development." And the other main class would be what may broadly be called articles of luxury consumed by the Europeans and Westernised Indians. If you take the great mass of the Indian people and study their habits of consumption, it is obvious, once you cut out cotton cloth and possibly lighting oils, the extent to which they consume imported manufactures is very small, indeed.

11163. *Q.* Don't you think that that is to a considerable extent due to the economic condition of the masses in India ?

A. Undoubtedly.

11164. *Q.* Do you think that the result of the development of industries in India would be to improve the economic condition of the people of India ?

A. That I think depends upon the question of cost. If you develop industries for which the country has not as great a comparative advantage as other countries, to my mind it follows inevitably that India is then paying a certain price for her industries, and so far she is reducing the sum-total of the wealth of the people and is not adding to their prosperity, *unless* you off-set against that direct loss the indirect gains such as those I have already indicated, *e.g.* greater regularity of income amongst the industrial people, the growth of a more able and efficient organising ability amongst the middle classes and so on. It is very difficult of course to give precise quantitative values to these indirect gains.

11165. *Q.* This direct loss that you are indicating would be temporary if those industries are developed which have substantial natural advantages in India ?

A. If they have greater relative advantages in India than they have in other countries.

11166. *Q.* Then the loss would be temporary ?

A. Yes.

11167. *Q.* And the balance of advantage in the end would be substantially in favour of India ?

A. That depends upon the duration of the time which intervenes between the outlay of the cost and the accruing of the profit. It is impossible to work out a correct balance sheet.

11168. *Q.* Then perhaps the safest guide is the experience of other countries ?

A. Of protectionist countries ?

11169, *Q.* Yes.

A. That I think is very doubtful. I do not believe much in the historical argument as a proof of the advantages either of protection or free trade. I think you must rely entirely on analysis and not upon a study of history.

11170. *Q.* But analysis in what direction ? How would you analyse the situation so far as India is concerned ?

A. I think the only possible way would be for a really dispassionate and competent committee to investigate the present conditions of certain industries, their cost and so forth in relation to the conditions of competing industries of the same kind elsewhere.

11171, *Q.* Do I understand your position to be that you would accept a policy of protection in favour of such industries as could be recommended by an expert committee after investigating and enquiring into the details of that industry ?

A. Yes.

11172. *Sir Maneckjee Dadabhoy—Q.* I am very glad you have materially qualified your written evidence in answer to the President's questions.

A. May I say that I do not qualify my position at all. I merely agreed with the President in stating that in my opinion if an industry after competent examination showed prospects of being able to develop and to stand on its own footing after a reasonable period with the help of a protective policy, then that policy would be justified. I have said nothing in my original note which would conflict with that statement.

11173. *Q.* As I read your written statement and understand your answers today, I find that by training and instinct you are a free trader ?

A. I do not accept the word "instinct." What I flatter myself has led me to believe in free trade is a process of reasoning, and not instinct.

11174. *Q.* In cases where protection is necessary to be given would you still give it reluctantly ?

A. Not at all reluctantly, but with very great readiness, provided I have satisfied myself that the conditions justify it. Very readily, because I am very anxious to see the development of industries in India.

11175. *Q.* The European countries which adopted a policy of protection were compelled to resort to it by the exigencies of the situation and in order to submit to public opinion. That is what you said to the President to-day, is it not ?

A. I think I would agree to that.

11176. *Q.* And you are distinctly against a tariff policy which reduces the gain to be derived from international division of labour and international exchange, and you would go in particularly for direct taxation ?

A. Yes.

11177. *Q.* You say that in India agriculture is undertaxed and in the industrialisation of India you find serious danger of political discontent, sickness, poverty and numerous other evils which you have specified in your evidence.

A. I intended with regard to the second point to call attention to what seems to me rather important, the element of cost which would be involved in a policy directed to the encouragement of industries.

11178. *Q.* These are the main grounds of your opposition to a policy of protection ?

A. Yes.

11179. *Q.* Now, these principles which you have asserted,—they may be right to a certain extent in theory—but will you tell me if they have found concrete expression in the policy of any European country ?

A. Well, obviously they form the basis of the policy in the United Kingdom.

11180. *Q.* I except the United Kingdom.

A. Belgium is practically a free trade country.

11181. *Q.* I wanted to know whether the principles you have enunciated form the foundation of the tariff policies of other European countries ?

A. Obviously a general protective policy cannot be founded on the principles of free trade.

11182. *Q.* Do you admit that England is now veering round to a policy of protection ?

A. I should not admit that. I think England is now suffering from diseased ideas which are the result of the experience of the war. I think she will get over that and will not embrace a protectionist policy.

11183. *Q.* It may be a diseased idea, but it is the national sentiment now ?

A. I do not think it is the national sentiment.

11184. *Q.* What is your authority ?

A. There is not any particular authority. That is only my impression. I read the journals and I read a number of expressions of opinion in the Press and I find that there is a very large volume of opinion finding vigorous expression protesting, for instance, against the recent Key Industries Act and so on. It is strong, I think, and it is growing in volume and power. My own impression is that the opinion of Great Britain will condemn these movements in the direction of protection in England before long.

11185. *Q.* There is now a strong agitation in England for the nationalisation of the mining and other industries. Could you gather any inference contrary to what I have stated ?

A. I think the overwhelming opinion in Great Britain at the present time would be opposed to the nationalisation of the mines.

11186, *Q.* And other industries ?

A. And other industries too.

11187. *Q.* The President has drawn your attention to the fact that all other countries, including the British Dominions, are following a policy of protection. In view of that fact I would like to know if it would be an economic advantage for this country to adopt a policy of free trade.

A. I would draw no inference from the trend of public opinion in Europe in the direction of protection, that protection would be beneficial to India.

11188. *Q.* Can you explain this theory of loss in the national dividend in their cases ? If all the countries favour protection and increasingly adopt measures for the protection of certain important industries, how does this question of loss of national dividend come into operation ? Is there a diminution of national wealth in their case ?

A. If you eliminate the case in which a country has had certain advantages for an industry but needs to overcome certain initial disadvantages,—if you eliminate that case, a protective policy involves loss to that particular country and to the world as a whole.

11189. *Q.* Now, you are aware that even in the United Kingdom free trade was adopted after a series of years of protective policy ?

A. Yes.

11190. *Q.* And when the country was not fully developed, there was protection. Does not that supply a parallel to Indian conditions ?

A. Do you suggest that the parallel is that India is at present in what we may call a state of infancy in regard to her industries, and that Great Britain, when she herself was in a similar state of infancy, had a protective tariff and therefore India should also have a protective tariff in that stage ? I do not think she should have.

11191. *Q.* Why ?

A. I do not think that the fact that England had a protective policy down to the latter part of the 18th century proves that the subsequent development of her industries was due to the protectionist policy. There is no necessary relation of cause and effect.

11192. *Q.* Take national wealth. National wealth has increased in Germany, United States and Japan. Is it in spite of their protectionist policy ?

A. A protective policy is only one, and not a very important item in determining the national wealth. There are many other factors. The national wealth in the United States and Germany is due to the exploitation of natural resources. Germany has great natural wealth, and she adopted a vigorous educational policy. All these are important factors in determining the national wealth.

11193. *Q.* We have got our raw materials and if you give that sort of education in our country, and simultaneously adopt a policy of protection would not this contribute towards the great millennium which we all want ?

A. Personally, I think that India has not the necessary advantages in respect of many industries to justify her departure from her present policy of free trade. My own position would be that such a departure from free trade ought only to take place in connection with certain industries which after examination are found to offer a bright future at a moderate cost.

11194. *Q.* Did not this war offer a sort of effective protection to India ?

A. Yes.

11195. *Q.* Do you concede that during the war the national wealth of India has increased ?

A. Certainly I would not concede that.

11196, *Q.* Will you concede that India is economically more prosperous now than before the war ?

A. I should think it is extremely doubtful.

11197. *Q.* Will you then go to this extent : that India became poorer ?

A. I should think probably.

11198. *Q.* Could you give any facts to support that theory ?

A. That India became poorer is, in my opinion, obvious. She lost some of her foreign markets for her native produce and she had to pay very much higher prices for very much smaller quantities of imported goods, and therefore the total wealth of consumable commodities available for use in India was smaller than before. On the other hand, as a set off against that, a great many of her goods were sold, although in smaller quantities, at greatly enhanced prices. She therefore obtained a fairly considerable monetary accumulation as a result of a favourable balance of trade. I think it is a difficult proposition to examine how far that monetary accumulation can be regarded as an off set to the reduced consuming power following from the smaller quantity of imported goods. I think probably capital accumulation benefited at the expense of the general consumer. I think only certain classes benefited.

11199. *Q.* The exports were not set off by imports ?

A. Yes.

11200. *Q.* Then money came into the country ?

A. Do you mean actual cash ? To some extent it came into the country, and there was an increase in the import of precious metals. That partly balanced the increased exports.

11201. *Q.* Then, how do you say that the consumer lost ? Do you mean to say that India used less consumable goods ?

A. I think, taking the country as a whole, there was less consumable wealth at the disposal of the Indian consumers.

11202. *Q.* Our raw produce is exported from India and comes back in the shape of finished goods, does it not ?

A. Yes.

11203. *Q.* This involves double transportation and insurance charges ?

A. Yes.

11204. *Q.* It also involves interest on capital ?

A. Yes.

11205. *Q.* You will add to these the profits of the foreign manufacturers and the exporting and importing houses ?

A. I do not think you are correct in taking into account the profits of those persons engaged in this country as part of the burden or loss because supposing that you had manufactures in India, you would certainly have profits made by the people who are engaged in buying and selling these manufactures.

11206. *Q.* Even if you eliminate that one item, taking all this into consideration, would it not be the best and economically sound policy for India to manufacture her products and get all the profits to herself by employing indigenous labour ?

A. I think it is obvious that despite these items of cost, the fact that, exchange still takes place between India and foreign countries shows that the difference between the Indian cost and the foreign cost including these items still admits of a gain by exchange. I admit that these items of transport charges and so forth are impediments, are additions to the prime cost of the goods in the country of origin. But if you add these additional costs to the prime cost of these goods and these goods are still imported into India, it seems to me to follow that the cost of production in India is greater than the prime cost *plus* the supplementary costs of the imported goods.

11207. *Q.* With all these disadvantages do you think that India will be in a better position than if she had home manufactures ?

A. As things stand at present I think it is certainly so.

11208. *Q.* Assuming that your contention is correct, would not the disparity in costs owing to the increased cost of manufacture in this country be set right in a small period of time and would there not be an ultimate gain to the country by the development of her own industries ?

A. I think it is impossible for me to say what period of time would be required, because obviously I cannot be familiar with the costs of manufacture in particular industries or with the way in which those industries will be developed in future. In ignorance of these things it is impossible to say how long it will take.

11209. *Q.* Apart from that, taking the benefits to the country, you will admit that a manufacturing industry increases wages.

A. No. I do not admit that. Manufacturing industries are likely to raise the money wages, probably also the real wages, of people engaged in the industry when they have to get labour from more or less distant agricultural areas.

11210. *Q.* So the level of wages will be higher than originally prevailing ?

A. Yes. I admit that. I thought you said that it would raise it to the whole of the country.

11211. *Q.* Indirectly the increase in industrial wages will lead to increase in agricultural wages.

A. It will probably lead to increase of money wages in agriculture. It will probably lead to a decrease in real wages, unless you assume that industries could eventually stand on a profitable basis without protection.

11212. *Q.* This increase would be good for the masses ?

A. But increasing the wages of a certain section employed in industry at the expense of the other section employed in agriculture would not be necessarily good.

11213. *Q.* You are aware that after all the proportion of those employed in the manufacturing works would be infinitely small as compared with the people employed in the agricultural industry.

A. Yes. I say that you are taxing the bulk of the population for the benefit of a small section.

11214. *Q.* This increase in wages will also ultimately increase the taxable capacity of the people.

A. Increase of real wages, not nominal wages.

11215. *Q.* Increase in real wages must follow from the general spreading of industries and by the impetus given to the promotion of indigenous industries.

A. In my opinion taxation on agriculture in order to maintain industries which cannot be maintained on their own merits, involves a certain tax burden to the population generally. That reduces their real income, and therefore it also reduces their taxable capacity. If you assume that industries, after a given period, can stand on their own legs and add to the real wealth of the country, then they will add to the taxable capacity of the country. It all turns on whether or not you make the assumption that protected industries will not within a reasonable time become self-supporting.

11216. *Q.* But I cannot understand why you refuse to India the same policy which has increased the national wealth of other countries, a policy of protection against the aggression of other countries in the matter of industries.

A. Because I do not accept the conclusion that the protective policy has been the cause of the increase of wealth in other countries. I regard the advancement of wealth in other countries as primarily due to other causes.

11217. *Q.* In America ?

A. In the case of the United States the causes are the growth of population drawn from all the various parts of the world giving very cheap labour added to an extremely vigorous directing section of the community exploiting their vast natural resources in the shape of coal supplies, iron and so forth.

11218. *Q.* India has got similar resources, very extensive coal tracts and iron ?

A. You have got those advantages. All that you require is the same human advantages.

11219. *Q.* Those nations which had all these advantages had also raised tariff walls against other nations. Such being the case, why do you refuse tariff protection in the case of India ?

A. Because I do not think the tariff walls raised by other countries have been the prime factor in their present industrial development. I agree that the tariff policy in the United States has increased the rate of development of certain industries, but I think also it has certainly impeded the development of many industries. When I was in the United States I had long interviews with a number of big manufacturers, and I should say that almost without exception all the manufacturers who were desirous of securing markets abroad, for example for machinery, were unanimous in their demand for a great reduction of the tariff, because they said the tariff was one of the greatest hindrances to them in their competition in the world markets. I remember the Managing Director of Harvesting Company was definite in his expression of opinion that while the tariff benefited some, it undoubtedly impeded other industries.

11220. *Q.* I presume you have read James Mill's History of India ?

A. Yes.

11221. *Q.* He comes to the conclusion after a good deal of elaboration that the East India Company has ruined the industries of India ?

A. I do not admit that.

11222. *Q.* He comes to that conclusion.

A. I don't agree that he does.

11223. *Q.* You must have also read Romesh Chander Dutt's book. He quotes passages from official papers to show that the thumbs of the weavers and spinners were cut off by the servants of the East India Company in order to prevent them from turning out the Dacca muslins. Do you know that ?

A. I have expressed my views with regard to this historical question in my book on Trade Relations between England and India.

11224. *Q.* I am drawing your attention to this.

A. Yes. I am aware of it. He quotes from official papers.

11225. *Q.* You are also aware that in order to protect the Lancashire industries an import duty of 400 per cent was imposed ?

A. I know that it is not true.

11226. *Q.* I am giving this on Mr. Romesh Chandra Dutt's authority ?

A. It is not true.

11227. *Q.* What duty did they put on ?

A. It varied from time to time. They put on 84 per cent. but that was only for a year or two. The import duty stood at 65 to 67½ per cent. for a number of years.

11228. *Q.* To develop their industries they put on a duty of 85 per cent. Yet, in fairness would you deny the same protection in the case of this country. Could you make this proposition logically consistent ?

A. I do not think there is any connection between the two things. The whole position to my mind is in the nature of a fallacy. Great Britain heavily taxed imports from India during the 18th and early 19th centuries, and possibly by so doing did some harm to the Indian industries. It does not in the least follow to my mind that India would be wise in taxing imports from Great Britain at the present time.

11229. *Q.* It is not a question of doing harm to India, but it is a question that it did good to England.

A. Exactly.

11230. *Q.* So India can do good to herself by applying tariff walls ?

A. I do not think the import duty had any appreciable effect on the development of the British cotton industry, and therefore if it is regarded from that point of view as a necessary measure for the development of infant industries, I do not think that the argument is analogous. I think that there is no validity in the argument.

11231. *Q.* Is there no validity so far as the textile industry is concerned ? Is there no parallel at all in this statement ?

A. No. I think that in order to support your conclusion it would be necessary to show that the high import duties imposed on foreign and Indian goods were the source of improvement to the British infant cotton industry. I do not think that was the case. It would also be necessary to show that high protective duties upon imported cotton goods at the present time would tend to the successful development of the Indian cotton industry. The historical argument does not seem to me to have any bearing.

11232. *Q.* You say in your written statement that the customs duties are paid principally by Europeans and Indians with westernised habits of consumption; by those engaged in industry and works of development; and by middle class Indians to a less extent. What about cloth ? Who pays the import duties ?

A. The consumer, in my opinion.

11233. *Q.* In the case of excise duty, who pays ?

A. In answer to a later question I have tried to suggest the incidence of the excise duty, and I have suggested that it depends upon particular conditions of supply in the case of the industry taxed.

11234. *Q.* But ultimately the consumer pays ?

A. The greater part, not the entire part, is paid by the producer. The excise duty represents the transfer of the surplus profit of the producer to the Treasury, and is not paid by the consumer.

11235. *Q.* Then the State gets the benefit by the transfer of the surplus profits to the Treasury.

A. Yes.

11236. *Q.* The producer loses his profit ?

A. Exactly.

11237. *Q.* What about the consumer ?

A. The consumer loses to some small extent varying with the different conditions of supply, and the extent may be ascertained by considering whether prices will rise as a result of the excise duty. In certain circumstances I think the excise duty raises the price to the consumer, and in that case the consumer pays, but I think it is only a portion of the duty, so that I believe that in different proportions the excise duty is paid by the consumer on the one hand and by the producer on the other hand in the shape of the transfer of the surplus profit to the Treasury.

11238. *Q.* On the analogy of your argument you would not support an excise duty ?

A. Certainly I would support it. I recognise that under certain conditions the excise duty raises the price to the consumer. But I think for the greater part of the proceeds of the excise duty go to Government and are paid out of the surplus profits or what I may call the unearned increment of the producer. They are got at the expense of the consumer and therefore, generally speaking, I support the excise duty.

11239. *Q.* Do you support a countervailing excise duty ?

A. I have always implied of course that the excise duty is imposed because of a corresponding import duty.

11240. *Q.* Can you give the example of any country in the world which has done this ?

A. I can tell you that Great Britain when she imposed high import duties on cotton goods had an excise duty on manufactured cotton goods.

11241. *Q.* When ?

A. The duty was introduced by Walpole, but I am afraid I have forgotten the exact year. It was probably about 1784.

11242. *Q.* How long did it remain ?

A. Until 1825.

11243. *Q.* It was not a logical position for the country to adopt. What were the reasons for its abolition ?

A. It was a logical position to adopt.

11244. *Q.* Why has it not been repeated since then ?

A. When England wanted enormous revenues it was imposed.

11245. *Q.* You think that the retention of the excise duty is consistent with the policy of free trade ?

A. Undoubtedly. A policy of free trade to my mind rests on this among other measures.

11246 .*Q.* I am talking of countervailing excise duties.

A. Certainly. It is implied in the policy of free trade, because it rests on the ground that you are not going to tax the people as a whole for the benefit of a particular and a small section.

11247. *Q.* But the basis of it is to afford protection in a sense to the competing country.

A. No.

11248. *Q.* For instance, you have got an import duty on cotton cloth, and you have also got an excise duty on local cloth. The idea is to grant a sort of protection to the exporting country ?

A. Surely not. It is meant to eliminate the protective effect of the import duty.

11249. *Q.* But indirectly it gives protection to the other country, does it not ?

A. That seems to me rather an incorrect way of putting it. It is meant to eliminate an advantage.

11250. *Q.* You say "In India as elsewhere the industrialisation of the people is likely to cause a number of social and economic problems to arise that will involve new forms of public expenditure. Industrialisation is likely to bring about new forms of poverty, of sickness, as well as such socio-economic disturbances as arise from the conflicts of capital and labour" Don't you think these are rather too sweeping statements to make even for a free trader ?

A. I do not think that it depends on whether I am a free trader or a protectionist. I can make those statements with confidence.

11251. *Q.* How will it cause a number of socio-economic problems to arise ?

A. Supposing for the sake of argument that industrialisation is fairly rapid and you get the transfer of a considerable population from the villages to the industrial centres.....

11252. *Q.* Do you expect such industrialisation to be so rapid in India ?

A. I start with the assumption that there is fairly rapid industrialisation, that is to say, that the protective tariff is doing what you want it to do.

11253. *Q.* The process of evolution will be very gradual.

A. If the industrialisation does not take place the problem does not arise. If it does take place then the problems will arise. It does to some extent depend on the rate at which industrialisation takes place. Increased industrialisation would obviously intensify the magnitude of the problem. Supposing industrialisation takes place, then in proportion to the rate at which it takes place there will appear these socio-economic problems. These problems appeared in England during the industrial revolution. Similar problems may arise in the mill areas of Bombay and other places.

11254. *Q.* Those things are common to all countries. That would not impede you from adopting a policy of protection.

A. I say that you will have to take into consideration all the possible evils of industrialisation.

11255. *Q.* What about the growth of public expenditure to which you refer ?

A. If you get these aggregations of population in industrial areas, then as a result of this you will be confronted with problems like housing problems, unemploy-

ment, and so on, and it seems to me inevitable that social institutions like Poor Law, Hospitals, Labour Exchanges will come into being, which will mean an increased burden upon the public purse.

11256. *Q.* These problems are now exciting the attention of the public in England ?

A. Yes.

11257. *Q.* But for how many centuries has that industrial development being going on ?

A. Difficulties began in England very early during the period of industrialisation.

11258. *Q.* What has been the national growth of industries during this period ?

A. I cannot state in pounds, shillings and pence.

11259. *Q.* Because at a certain remote period these socio-economic disturbances which arise out of conflict between capital and labour may occur, you say that we should discard a policy of protection.

A. I have not said so.

11260. *Q.* It comes to that. It is the result of your argument.

A. It is an entirely unfair interpretation of what I have said.

11261. *Q.* It leads to that corollary ?

A. I have only said that this indirect loss must be set against the direct gain from the development of industries.

11262. *Q.* That will not stop you from introducing a policy of protection, if necessary ?

A. Suppose for example that your industries were developed, but that they did not prove, as expected, to be self-supporting in the course of a number of years, and that they had to be maintained by Government aid, whether by protective tariffs or other kinds of aid ; in other words that they were a burden upon the country, economically speaking. Then if you add to that cost the further cost of these socio-economic developments you would get a greater balance of evil.

11263. *Q.* This economic sacrifice every country has undergone.

A. Certainly.

11264. *Mr. Jamnadas Dwarkadas—Q.* You said in answer to a question by Sir Maneckjee Dadabhoy that while other countries that are in a very prosperous industrial condition have adopted protection you did not think that protection was an important factor in bringing about that prosperous state ?

A. Yes. That is my opinion.

11265. *Q.* Leaving aside the question whether protection was important or not, you will admit that with regard to all those countries which are industrially sound to-day, one of the steps has been protection. Is not that so ?

A. Yes.

11266. *Q.* At some stage or other there was protection ?

A. Yes.

11267. *Q.* The fact also remains that all those countries are industrially sound to-day ?

A. I cannot admit that all Countries which have adapted protection are industrially sound.

11268. *Q.* Leaving aside that point you said in answer to another question that the other important factors were natural resources and cheap labour.

A. Yes.

11269. *Q.* You would include under natural resources human resources ?

A. Yes. I also include under cheap labour, not only manual labour but also effective organisation.

11270. *Q.* Effective organisation is more a thing that can be acquired than natural ?

A. You are asking me a very difficult question if you wish me to distinguish between natural and acquired characteristics. Personally I think that it is only partially true to say that qualities can be acquired. I think certain qualities are racial and national characteristics, and cannot be acquired. I should not like to attempt to draw any hard and fast line between the two classes of qualities.

11271. *Q.* Anyhow if it were not possible to acquire, (a point in which I do not of course agree), it is possible to import effective organisation ?

A. Certainly.

11272. *Q.* Take the other two facts, natural resources and cheap labour. You will admit that these two exist in India on an abundant scale ?

A. I admit that natural resources of certain kinds exist in India on an abundant scale. It seems to me quite clear that at present taking India as a whole she is not so well off as Germany or the United States of America in respect of coal deposits or of oil deposits. She is well off in other things, for instance raw material of the cotton industry so far as it is confined to short stapled cotton. You can pick out a number of instances in which India is extremely well situated so far as her raw material goes, but if you say that she is well situated so far as cheap labour goes, I think I should demur. I am told—here I have to go by the opinions of business people with whom I have talked—that while Indian labour is low priced, it is not cheap.

11273. *Q.* Let us not mix up efficiency with the actual price of labour ?

A. I am not. I am trying to distinguish it from the manufacturer's point of view. It does not matter to the manufacturer whether he pays an anna per hour or a rupee per hour provided that he gets the value for his money. While the Indian labourer gets an anna per hour as against a rupee in other countries, I think that the output of the Indian labourer is very often correspondingly low and therefore regarded as an instrument of production, Indian labour cannot in the proper sense of the word be called cheap.

11274. *Q.* That is in other words you say that Indian labour is not as efficient as labour elsewhere ?

A. Exactly.

11275. *Q.* There again, efficiency is a matter of time and training ?

A. Partly.

11276. *Q.* And practice in that particular industry ?

A. Partly.

11277. *Q.* On the whole you will admit that India has more or less these two factors natural resources and labour on an abundant scale.

A. Yes.

11278. *Q.* Now you will also admit that so far as industrial condition is concerned India is far behind other nations ?

A. Behind other industrial nations, but you can pick out nations which are far behind India.

11279. *Q.* Even if you were a free trader would not you grant that in order to attain your ideal of free trade, you would like to bring up a country which is far behind other countries industrially and give it an opportunity of coming to the same level before making it a free trading country ?

A. I have already granted that. Where I see prospects of developing industries in India to a position of self-sufficiency at a reasonable cost in the present conditions, I am entirely in favour of it, but I protest against the position which seems to think or accepts the view that industries in themselves are something desirable and that irrespective of the cost, the country benefits because it has an industry. I find constantly that people say "why should not we have factories for glass bangles, and why should not we make hair brushes", as if the mere fact of the transference of factories making glass bangles, etc., from Japan to Bengal would result in obvious advantage. I don't think that it is an obvious advantage. It may be a disadvantage.

11280. *Q.* I grant that. All that I say is that wherever you see prospects of developing industries in India, you should be prepared to give protection ?

A. I fully admit that.

11281. *Q.* In order even to realise your ideal of free trade you would give protection ?

A. Certainly.

11282. *Q.* Now leaving aside that subject, let us come to the question of excise duty that was put to you by Sir Maneckjee Dadabhoy. You said that there was excise duty in England. Excise duty was also adopted in England when there was a heavy import duty on Indian cloth ?

A. Yes.

11283. *Q.* What was the difference between the import duty and the excise duty ?

A. It is rather difficult to calculate because excise duty was levied at so much per yard of cotton cloth manufac-

tured. It was at first under a penny per yard, it went to two pence and it was then doubled. I have not the material available to enable me to calculate how that compared with the import duties. Certainly you may take it that the import duty was heavier than the excise duty.

11284. *Q.* It was much heavier ?

A. Not, I think, necessarily much heavier because you have got to remember that the excise duty was on goods which did not compete necessarily with the imported Indian goods.

11285. *Q.* There was a fair margin of difference ?

A. Yes.

11286. *Q.* It was not of the nature of a countervailing duty ?

A. No.

11287. *Q.* It was not like 3½ per cent. import duty and 3½ per cent excise duty ?

A. No.

11288. *Q.* In no wise can you compare it with that ?

A. Not at all, with regard to the principle on which it was imposed.

11289. *Q.* Don't you think that the British Parliament reflects the opinion of the British nation ?

A. Very imperfectly.

11290. *Q.* Are you aware that a year or two ago a bill to protect certain industries was passed in Parliament without a single dissenting voice ?

A. Yes. I also know that in the 1918 election many constituencies were captured by the cry of 'hang the Kaiser.' but I don't think that the people seriously in their saner moments attached much importance to hanging the Kaiser.

11291. *Q.* Anyhow people outside England would take the opinion of the British Parliament as the opinion of the British nation ?

A. You would be justified in saying that.

11292, *Q.* In your written answer you examine the statements made in the report of Mr. Montagu and Lord Chelmsford?

A. I have examined some of them.

11293. *Q.* Take the first statement made in the report. "The economics of a country which depends to so great an extent as India on agriculture must be unstable." You argue that point in a very interesting manner and elaborately and you come to the conclusion that after all industrial development provides a very desirable occupation for agriculturists as it tends to a considerable degree to stabilise income, which after all is the essence of the proposition elaborated by the authors of the Report. Has it not occurred to you yourself that this is a desirable end in view ?

A. Very desirable.

11294. *Q.* There is another advantage if I may point it out. India has to depend at present mainly on agriculture ?

A. Yes.

11295. *Q.* If instead of only one source there are two sources of income namely agriculture and industry, then its staying power during years of famine would be much better ?

A. As I have indicated in my answer, that largely depends on the extent to which these resources are independent of each other. If the second source is dependent upon the first, then the failure of the first brings about the collapse of the second. Therefore the mere advantage of a second source is not in itself sufficient. What you want is an independent source of income and I think very largely industry gives that independent source.

11296. *Q.* You cannot point out a single country industrially developed where there is not a certain amount of interdependence between agriculture and industry ?

A. Certainly there is a certain amount of interdependence.

11297. *Q.* If a large proportion or a considerable proportion of the population which depends only upon agriculture can turn its activities to industry, it will certainly be to the advantage of the whole community.

A. Yes.

11298. *Q.* From that point of view it would be desirable to encourage the growth of industries in India ?

A. I have pointed out that while I think it would be an advantage, yet the advantage would probably be confined to a comparatively small section of the whole agricultural population of India because the direct employment of labourers in industries would be small relative to the employment of those in agriculture and secondly I think that a large extent of the country would be outside the range which would be affected by these industrial centres. Therefore I think that the gain would be considerable for certain areas in India, as if a stone were thrown into a tank, the ripples would be more at that particular place and would get less and less until at the end there would not be seen anything at all.

11299. *Q.* It is a matter of opinion. Our experience in Bombay is that as soon as Bombay became an industrial centre, people from all parts of the Bombay Presidency began to come down and work during the months in which they had no work in the fields.

A. Yes, I admit that.

11300. *Q.* The advantage thus extends to the whole province ?

A. But India is larger than a province.

11301. *Q.* There is another statement in the Report. "The people are poor; and their poverty raises the question whether the general level of well being could not be materially raised by the development of industries." This passage, you say, ignores the distinction between industries which arise because of ability to produce goods at lower cost than they can be obtained elsewhere and industries which are maintained by means of a tax on consumers for the benefit of producers. Other things being equal the latter will impoverish and not enrich a country. Will you kindly point out how you say that it is going to benefit the producers and be a tax on consumers ?

A. If you impose an import duty, it raises the prices of commodities to consumers which is evidently to the disadvantage of the consumers so far. If the production within the country does not advance so that the same goods can be provided at the same cost as that at which they were previously imported, it seems to me that you are enabling a certain set of producers to make a profit at the cost of the consumers.

11302. *Q.* You would only give protection to those industries which in your own words have some prospect of developing ?

A. Yes.

11303. *Q.* You would protect those manufactures which are likely to benefit from an import duty without being a tax on the consumers ?

A. You cannot do it without taxing the consumers.

11304. *Q.* In many instances you can ?

A. Not unless the industries which are to be protected are going to jump into full blown efficiency at once. In that case your import duty is unnecessary.

11305. *Q.* At a certain stage import duty would no longer be necessary. Suppose we provide for a Board or a Committee which would go every year into this question as to how far an industry needed protection, how far it did not need protection, how far an industry was a tax on the consumers, and how it benefited the producers; suppose if a permanent organisation like that were to go into those questions, would you even then say that it would be a disadvantage to the community ?

A. That, I think would depend on the ability of such a commission to fulfil its functions adequately, and personally in my opinion the task which such a commission would have to face would be a very difficult one and it could not hope to accomplish this task with complete success.

11306. *Q.* You probably know the difficulties which have already been faced in America in this connexion ?

A. The estimates which particular businesses or industries put forward as requisite could not be accepted without examination and the examination could only be made of value if it was made by persons capable of interpreting and fully understanding the facts; and to expect that a particular commission will have all that expert knowledge with regard to all industries is expecting a great deal.

11307. *Q.* That is your view. But if we assume that the commission will be able to fulfil its functions ?

A. Then, I accept your conclusions.

11308. *Q.* Take the advantages that, I think, would accrue from making a country like India an industrial country. There would be employment for a large portion of the agricultural population which mainly dépend on agriculture. The community which now depends upon agriculture alone would depend both on agriculture and industry ?

A. Yes, but that would not be an advantage unless the industry itself is a wealth producing agency.

11309. *Q.* Suppose the industry is a wealth producing agency and that people who depend entirely on agriculture will also depend on industry; taking all these advantages together, it is likely that the wealth of the country will increase and the purchasing power of the average man in the country will be much better than it is now ?

A. As I have said your conclusions are implied in your premises. There is no argument. If you assume that industries are superior as wealth producing factors, then the rest follows.

11310. *Q.* You yourself give figures which show that in no way is India over industrialised ?

A. No.

11311. *Q.* It is rather under industrialised. I mean there is a good long way before you can be afraid of over industrialisation of India ?

A. I do not know whether over industrialisation has any meaning to me except the maintenance of industries at an unnecessary cost.

11312. *Q.* At present, is not India under industrialised ?

A. Not necessarily. India might have no industries at all and yet it might not be under industrialised from the economic point of view.

11313. *Mr. Mant—Q.* I should like to ask you a few questions to give us the expert view on certain popular opinions that have been frequently presented to this Commission. You have dealt with some of these in your evidence, written and oral, but I should like to get the arguments in popular language as far as possible to meet the contentions of the ordinary man. First with regard to the manufacture of raw materials in this country we have been told that there is something very wrong in our policy. Take the case of Indian cotton being sent to Japan to be manufactured there and sent back in the form of cloth. It has been suggested that we should put an export duty on cotton to prevent that. I understood from what you said to Sir Maneckjee Dadabhoy that this was a matter of the cost of production in India and that it was not necessarily a loss to the country that the raw material should go out and come back in the form of manufactured goods. Is that your view ?

A. That is my view. I think, if I may draw from your illustration, the fallacy which underlies the popular opinion that it is a source of loss for a country to export raw materials and import finished goods, is due to forgetting that if you don't export your raw materials you will have to transfer capital and labour which is at present invested in the production of raw materials to do something else, *viz.*, manufacturing those raw materials. Therefore ultimately the question of gain depends on the real remuneration to your capital and labour when invested in the production of raw materials or alternatively when invested in manufacturing them into finished goods. Public opinion jumps to the conclusion that you are going to get the incomes from both sources. Therefore it seems quite obvious to public opinion that if you are going to get incomes from two sources instead of one the two must be greater than one. They forget that the result of transferring capital and labour from agriculture to industries is not necessarily getting two incomes instead of one. It is cutting up your original income into two parts. If the new business is less productive than the business in agriculture your total income will be less. Or putting it in another way, the benefit of exporting raw materials and importing manufactures is somewhat the same as that which is now obtained by the individual in specialising and taking advantage of the division of labour. Supposing I could make a certain income by teaching economics in the college, and I could, if I liked to devote part of my time, make my own boots and shoes. I would not get two incomes if I turned away from teaching economics. I should only reduce my economic teaching income and make a less income owing to my initial difficulties as a bootmaker in making my own boots and shoes. I gain by specialising as I am more efficient in that direction. So a country may gain by specialising in one source of income because it is more efficient.

11314. *Q.* That argument rather assumes that the capital and labour which would be diverted to the manufacture of raw materials are already employed. People have used the argument that there is capital in the country which is not profitably employed and that there is surplus also of labour employed in agriculture for which it will be a good thing to find other employment ?

A. In so far as there is capital actually lying idle at the present time in India and under employed labour there is an economic waste and the utilisation of these factors for productive purposes would give a real addition to the income of the country. How far it is practically possible to get hold of the idle capital now in India by means of the development of industries is a question which I cannot answer. I am not sure that there is this fund of unused capital which is supposed to exist. There is a lot of wealth imported into India in the shape of the precious metals which in most cases represents a wastage of economic power. Whether the habit of importing and hoarding the precious metals will disappear and then the real wealth embodied in those metals will ever take the form of bank deposits and thus help in developing industries is a problematical question which I cannot answer. It might take place gradually. That is the probable course of events.

11315. *Q.* Your main position is that as long as the manufactured article can be imported into this country at a cheaper rate than it could be produced here, then it is to the advantage of the country to import it and not manufacture it ?

A. Always provided, if I may once more insist, that the initial obstacles which prevent the manufacture of these goods in India cannot be overcome so as to reveal as it were, the natural aptitude.

11316. *Q.* Then there is the connected question to which you have already referred. We are told that in exporting mainly raw materials Indians are being treated as hewers of wood and drawers of water to the rest of the world. You have said that it rests on a fallacy and it will be an advantage if you could explain in popular terms the fallacy of that argument ?

A. I think the fallacy is due to several misconceptions which are lumped together so to speak and made the foundation of this opinion. The first fallacy is that industries are in themselves a superior source of wealth to agriculture. That I think is a fallacy. As I have said before I don't think that it is any obvious or necessary advantage for India to have a bangle factory for example where it can make bangles less cheaply and less efficiently than they can be imported. The second fallacy underlying this drain theory is one that I have touched in answer to your first question, namely the popular view that if you can make in this country something which is now made abroad, you get the profits of the manufacturers the wages of the labourers, interest on capital and so forth. That is a fallacy in so far as it unjustifiably supposes that the factors which you require are already in India and are unemployed. If they are, it is perfectly true and quite obvious that it would be to India's advantage to set them free so to speak. If they are not in India, then to check the export of the raw materials and to impose the obligation of manufacturing them in India at a greater cost will be a source of national loss. That source of national loss will be justifiable if after some preliminary the industries become self supporting. Personally I think that that cannot be a condition which can be anticipated in the course of the next 15 or 20 years in India with respect to more than a limited number of industries.

11317. *Q.* Then there are two other arguments that have been used to us. You have already touched on the historical question of England's previous policy to India. I understand that you do not accept the contention so frequently before us that England deliberately ruined the export trade of India in textiles ?

A. Certainly I think that is an unjustifiable statement. I have myself, for the purpose of writing my book, been very thoroughly through all the Parliamentary and Government bluebooks and so on which relate to this subject, and I think I have examined all the available

material, and what can be said is this. England had a protective policy for several centuries: this policy was in force long before the period of the growth of the English cotton industry, and England continued to import a large quantity of Indian goods despite the tariff. Until, we may say, the middle of the 18th century, the question of the British tariff as destructive of Indian industries does not arise. Moreover, it must be remembered that other countries also had protective tariffs,—some of them higher than that of Great Britain. Then came the great development of mechanical enterprise in Great Britain and in the course of a few years she became able to manufacture cotton goods more cheaply than India could manufacture them. The very slight, if any, advantage which England gained from keeping out Indian cotton goods during the time when she was expanding her own cotton industry is, I think, an infinitesimal factor in the growth of the English cotton industry. Neither is it an important factor in tracing the decline of the Indian cotton manufacture. That England deliberately set out to make India a source of supply for raw materials is, in my opinion, an entirely indefensible statement. It is quite incorrect. Undoubtedly you can find opinions of particular merchants given before committees in 1812 and 1832, and they have pointed to the advantage of developing trade with India, because India was a source of supply for raw materials, and they wanted to develop manufactures at home. But the statement that the British Government or the British nation ever adopted a policy with that purpose in view is, to my mind, without any justification. And certainly the administrators of the East India Company in the early years of the 19th century took steps which had only one motive and that was to develop the Indian cotton industry and to develop Indian industries. But there were no power industries in India at that time, and in that sense they were never destroyed.

11318, *Q.* There are two main points in your argument: one is that the English tariff was directed against foreign imports generally and not against India specially, and your second point is that the Indian industries were hand industries and they were ruined really by the introduction of machine industry?

A. Yes. I think there is one point very often overlooked and that is that the value of the British market to the producers of Indian cotton goods was very small relative to the total quantity of cotton goods produced in India. The value of the British market was very small indeed, though it was fairly important with regard to special classes of goods, *e.g.*, Dacca muslins. But Dacca muslin was a very little factor relative to the cotton industry of India. First and foremost there was the Indian home market. The British tariff against the importation of cotton goods into Great Britain did not in the least affect the capacity of the Indian weaver to supply his home market. Then again, India had important markets in the Farther East; also in Egypt and Persia and so on. England began to invade those markets long before she invaded India, because she could undersell India in those markets on equal terms as the result of the discovery of power.

11319. *Q.* Then there is one other popular view which is frequently put before us and that is that England established her own industries by means of a policy of protection, before she adopted free trade, and that the subsequent advance of her industries was really due to the nursing that they received in the infant stage. Does your reading of history support that view?

A. Certainly not. In the first place, I think that England like every other country in what I may call the later middle ages adopted the policy of mercantilism, which may be regarded as including protection. England was not peculiar at all in that respect. But during that period England developed no industries of importance except her woollen industry,—if you perhaps except the building of wooden ships which was rather a matter of national defence and even so it was a very small industry. So that, up to the beginning of the industrial revolution, England had not developed any industry, and she was not an industrial country. The era of industrial depelopment could almost be confined to the latter half of the 18th century and the first third or half of the 19th century. Free trade would have been adopted in Great Britain before the end of the 18th century, but for the Napoleonic wars. There was no doubt that Pitt was much impressed with Adam Smith's teachings and he had repeatedly stated that he was convinced by his arguments. He would have carried out his principles, but for the fact that he was forced to impose a tariff for revenue. There came in 1793 the absolute necessity of finding money at all costs and that led him to put a tariff on everything. That tariff was so high that in some cases it was not at all productive. Then, if you look to industries as they are existent in England to-day and find out when they arose, you find that they developed almost entirely at the time when a certain number of French scientific investigations into the principles of industry were practically exploited by English business men,—use of steam power and so on,—which gave an impetus to manufacture. Having this initial impetus before it developed in Germany or France, England was able to compete in foreign markets. She had one advantage and that was she could get cheap labour. England had ceased to be self-supporting so far as food supplies and corn were concerned. The commercial interests wanted cheap corn, and that led to a conflict between the agricultural and commercial interests. The commercial interests succeeded ultimately and the Corn Laws were repealed in 1846. England's industrial development has taken place under free trade. However, I would not argue that because free trade proved a great success in England, therefore it is necessary and desirable in all countries.

11320. *Q.* I wanted to get at the fact,—whether England really progressed under protection?

A. I do not believe that England owes her progress to her policy of mercantilism in the early years. I believe that it was a hindrance rather than otherwise.

11321. *Q.* Turning to your written evidence, in answer to Question No. 2 (*a*) you state that the cultivating class is relatively under-taxed?

A. Yes.

11322. *Q.* The deduction that you draw from the figures is based on the assumption that the previous distribution of taxation was equitable?

A. It is.

11323. *Q.* And it is also possible that circumstances have changed, and the wealth of particular classes have increased, which would justify a change in the incidence of taxation?

A. Yes.

11324. *Q.* Have you anything beyond the figures you have given, to show that if we need further revenue we should obtain it from the cultivating classes?

A. I entirely agree with the two qualifications which you have suggested and they were present to my mind when I wrote this note. The grounds on which I believe that the cultivating classes are now undertaxed are two: first, there has been a very great rise of prices with consequent increase in the money incomes of all cultivators with a surplus produce to sell. There has been a great increase in money values, but no increase worth mentioning of land taxes, so that the real burden of land taxation is considerably less to-day than it was before. That at least establishes the point that the cultivator is now taxed more lightly, at least in so far as the land revenue goes, than he used to be. Then I have to meet the second question: whether the relative lightening of the tax burden to the cultivator was desirable in the interest of justice. I would suggest against that this argument: that the lightening of the burden of taxation to the cultivator at the present time is not an unmixed national gain, because I believe that the cultivating class as a whole will multiply up to the limit of the real cost of subsistence. I believe that the effect of this lightening of the burden and increase of income has accelerated the rate at which land is subdivided, *i.e.*, land is sold, people become petty tenants instead of mere cultivators and so forth. And therefore I would myself support a tax on the agricultural community if it could be levied with sufficient elasticity so as not to drive them into debt, because I believe that this class has considerable surplus wealth which can be used for the benefit of themselves and of the country if wisely expended by Government. Very serious damage would be done by further increase of Government revenue by taxing business profits or by taxing the incomes of the middle-classes, and if you eliminate these, it seems to me you have got to go back to the taxation of the main bulk of the population. I believe it is a desir-

able financial policy greatly to increase Government revenue if it is wisely expended in what I may call the development of the country, including educational development, development for sanitary purposes and so forth. Therefore, I would like to increase the taxation, and the right and the only source from which you can gain a considerable addition of revenue, without, as I say, either strangling industry or greatly impeding that uplift in the standard of ideas and habits of life which is now going on in the middle classes of the Indian public, is agriculture.

11325. *Q.* You really hold that we should take a larger share of the unearned increment in the land ?

A. Yes.

11326. *Q.* Which is the idea of the radical economists and politicians in Europe ?

A. Yes, and I would couple with that the other argument, *viz.* that I believe that such wealth taken from the people with one hand should be returned to them by all sorts of Government activities, so that it might greatly increase the power of the people. It would really be profitable investment.

11327. *Q.* You were asked whether you could give any precedent for the excise duties in this country. I understand you have studied conditions in Japan. Is there anything parallel there in the shape of a consumption tax ?

A. There is there a consumption tax on cotton goods. As a matter of fact I have been trying to get the recent Japanese tariff, and I am afraid I have not succeeded in doing so. I cannot therefore say what the consumption duty now is.

11328. *Q.* Don't mind the figure. Is it the same thing as an excise duty ?

A. They have an import duty on cotton goods, but they have also what they call a consumption tax imposed on native manufactured goods in Japan.

11329. *Q.* Is it levied on production ?

A. I am not quite sure as to the machinery of collection. I can tell you quite definitely what the machinery of collection was in 1910 which is the latest book I have got on the subject.

11330. *Q.* All I want to know is whether it is equivalent to an excise duty ?

A. I do not think it is exactly equivalent to an excise duty. If you mean by excise duty a countervailing duty against the import duty, that is not the purpose of the consumption duty.

11331. *Q.* I do not mean in purpose, but in effect ?

A. It certainly has that effect, but I do not know whether it is a full equivalent. The general principle is the same.

11332 *Q.* The excise duty on cotton cloth is not a full countervailing duty at present ?

A. No.

11333. *Q.* So a consumption tax has the same effect as an excise tax ?

A. Yes.

11334. *Q.* Well, there are a large number of other questions I should have liked to ask you but there is not time. There is only one question of general interest which I will ask. At the end of your evidence you have told us that the evil results of protection will fall most heavily on the middle classes. That is practically the educated classes and the classes whose opinions we hear mostly here ?

A. I think the immediate evil effects would fall on them.

11335. *Q.* Can you tell me why they almost unanimously favour protection if they are going to be the people who will suffer from it ?

A. I think because, in the first place, the assumption is latent in the minds of these people that the protected industries are going to be a success. So far, therefore, as their assumption is correct, we have no quarrel with them and there would not be a burden. But in my opinion that latent assumption is not justified and protection employed so to speak *en masse* would impose a very considerable burden which would first of all bear upon the middle classes. Secondly, I cannot find in my discussions with Indians that their opinions with regard to protected industries, ever go further than this : protection has been employed by countries that are now rich, and therefore protection cannot be a bad thing. Then, all those countries are industrial countries and therefore if India had protection India would also become an industrial country. Now, neither of these arguments are radically sound, but these are the two arguments which weigh with public opinion.

11336. *Q.* Really they are based on a mistaken anticipation of the results ?

A. On imperfect analysis.

11337. *Mr. Birla—Q.* I believe you are as anxious as I am to see the development of Indian industries as rapidly as possible and to make India as far as possible self- contained ?

A. I am as anxious as you are probably to see the development of Indian industries, provided that they are justified by the natural facilities which India possesses or may reasonably be expected to possess in 15 or 20 years. If you ask me whether I would see India self-contained, I believe it is an ambition, which, as expressed in the word ' self-sufficiency ' is absolutely wrong.

11338. *Q.* You would not like to see India self-contained ?

A. I would not like to see any country self-contained.

11339. *Q.* Well, I think you have got some wrong impression about the correct condition of India, and therefore I would like to give you some example. Assume India is a family consisting of 10 members. Suppose six of these 10 members are employed in producing raw materials,: one is a capitalist and the other three are labourers. In that case would you like the family to send its raw materials to be manufactured in other countries and then to be re-exported, or would you like it to get its raw materials manufactured by its own members with the aid of the capital and labour supplied by themselves ?

A. If the capital, labour and organising ability in this country is idle, naturally I would like them to be used here.

11340. *Q.* Your impression is that there is not sufficient capital and sufficient labour in this country ?

A. I think there is some, but not enough.

11341. *Q.* If you think there is labour and capital to some extent in this country, what is your objection to our manufacturing our raw materials in this country instead of sending them to other countries for manufacture ?

A. I have no objection, provided, as I have said many times this morning, that the cost is not such as to impose too heavy a burden, and provided that ultimately the advantage accrues of making the things more efficiently in this country than if we get them from elsewhere.

11342, *Q.* There is no question of cost, if you treat India as one family. If we get it manufactured in other countries, we have to pay for it, but if we get it manufactured by our own members, then we do not pay for it.

A. Your argument is quite fallacious, because your assumption seems to me to be that there is idle labour and idle capital, but I deny the justice of your assumption.

11343. *Q.* Am I to understand that you do not think that there is any surplus labour or capital in this country ?

A. I admit that there is some surplus capital and labour.

11344. *Q.* You admit that. Then, would you get your things manufactured in the country ?

A. I have already tried to express my views on that point. I think, in answer to a previous question I said that I was not sure how far a protective tariff would bring out the capital that is now latent in India for productive purposes. Again I am not sure how far a protective tariff would bring the labour in the agricultural districts, which may be regarded as partially or under employed labour, into the factories. If you assume that there is some latent capital which would be brought into productive use and some idle labour and organising ability, then I entirely agree that it should be taken advantage of, and if a protective tariff would achieve that, so far I would support a protective tariff.

11345. *Q.* Then, would you kindly tell me one more thing. Supposing we adopt protection in this country, how will it affect the English industrialists who are exporting their goods to this country ? Will it be a gain or a loss to them ?

A. I should say probably a loss to England,—not perhaps so great a loss as might be expected at first sight, because I believe that a high protective tariff in India would not conduce to production for a considerable time and the goods would still be coming to India.

11346. *Q.* If England loses if we have a protective tariff, then it would be a gain to England if we continue our free trade policy ?

A. Yes.

11347. *Q.* You said something about England levying an excise duty on her manufactured goods. Did they impose those duties as countervailing duties or purely for revenue purposes ?

A. Purely for revenue purposes.

11348. *Q.* Are you aware that so far as the countervailing excise duty in this country is concerned, it was imposed simply to please the Manchester manufacturers ?

A. I do not think I would agree to the form of your statement. I think the excise duty was imposed in order to fulfil the conditions of free trade to which Lord Salisbury was at that time pledged, although Lord Salisbury himself had stated that he was opposed to the excise duty.

11349. *Q.* Because, as you say free trade means a gain to England ?

A. No, I do not accept that. The policy of free trade I believe, was held by the Ministers of Great Britain not merely because it was beneficial to England, but because it was supposed to be beneficial to the world as a whole.

11350. *Q.* In your book regarding the trade relations between England and India in the chapter regarding the English commercial policy I find it stated that in 1803 silk handkerchiefs imported by the East India Company were specially excepted from the law prohibiting the use in Great Britain of imported silk manufactures. Will you kindly let me know what this law was which prohibited the people of Great Britain from using silk handkerchiefs?

A. There were two Acts, one passed in 1700 and the other in 1720. They prohibited the use in England of silks and stuffs mixed with silk. The Acts were passed in order to help the nascent industry of Great Britain at that time.

11351. *Q.* It was a sort of protection to the silk producers. Was it not ?

A. Yes.

11352. *Q.* As a matter of fact we were told about this law by one witness, but we did not know whether this law was actually passed.

A. Yes. This law was passed, and in an earlier chapter I refer to the actual statutes.

11353. *Mr. Rhodes*—*Q.* Mr. Birla made mention of what I may call the joint family system, India being a family of 6 producers of raw materials and 4 capitalists and artisans, and he suggested that these 4 men have nothing to do and could work up the materials produced by the others. I gather your point was that it would be a very good thing if they could do some work, but not necessarily work up the raw materials, produced by the other 6 brothers.

A. Exactly. I take it that the force of the picture that was presented to me consisted in the implication that capital and the right kind of labour were available, and that by means of a protective tariff these might be brought into operation in industries. It seems to me that there is a hiatus. In the first place I admit that I think there is a certain unknown amount of capital idle. I do not know how a calculation could be made as to the quantity. That will, I think, gradually be brought into productive uses as the habits of the capitalists change. There is also a considerable wastage of labour amongst the agricultural population, and it is conceivable that they could be productively used in industries. But I am rather inclined to believe that this wastage of labour is incidental to the methods of agriculture in this country. Suppose a certain volume of idle or semi-idle labour now exists and that they are to be drawn off by the attraction of wage earning employments in towns. I think that that vacuum would be replaced by similar people before very long, that is to say, you might draw it off for a time, but I think they will be replaced by another body of people which would be employed in agriculture.

11354. *Q.* Your view is that until you raise the standard of living of the agricultural labourer he will multiply up to the full capacity of the land to feed him in a normal year and famines seem inevitable in years of scarcity.

A. I do not say that famines should be inevitable, if you make certain assumptions as to improved methods of transportation and organisation to meet famines.

11355. *Q.* But the famine itself *per se* will remain ?

A. The occasion for a famine would exist.

11356. *Q.* A man living on one meal a day has nothing to fall back upon, and therefore there must be hardship caused by famines, which must be remedied by Government measures.

A. Yes. That is my opinion.

11357. *Q.* I would like to ask an interesting question which has not been raised before whether you think that a bigger tax on land would reduce the population or simply increase the price of food stuffs to the non-agricultural people.

A. I think it partly depends upon the way in which the tax is levied. Suppose for the sake of argument you impose a tax in the shape of a poll tax, so much per head of adult population, as they used to have in the Moghul times, which is imposed without regard to the economic position of the family. That, I think, would tend to drive a certain margin of the population below the level of subsistence and so out of existence. In that way the first thing will happen. But if you suppose that a certain portion of the population were driven out of existence and with it the cultivation of what might be called the marginal land ceased, then prices may rise. There is no reason to suppose that prices would rise unless the effect of such a tax were to drive a very large number of people out of existence, and a quantity of land which hitherto had been responsible for producing a fair amount of produce were rendered uncultivable. The effect on prices would, I think, very largely depend on the extent to which land is driven out of cultivation. It would not necessarily raise prices. But I think that probably the effect of a perfectly rigid tax like the poll tax would be to raise a very considerable income but to fall too hardly on what may be called the marginal population.

11358. *Q.* Suppose you increase the land revenue by 10 or 20 per cent. What will happen under the present methods of collection ?

A. The practical problem is how to raise the land revenue so as not to press too hardly on this marginal section. I do not think they are pressed very hardly at present. I think they are better off on the whole owing to a few years of agricultural success. I think therefore that this marginal class would only be put back where they were before. Why I took the illustration of a poll tax was that it did not discriminate between persons of different economic classes. If you put on a land tax it might or might not discriminate. It all depends on how it is levied and how collected. I understand that there are various methods of collection of land revenue. That is why I have said that provided that the method of collection is sufficiently elastic any increase in the taxes on land will not cause a fall in the standard of comfort.

11359. *Q.* But it is the marginal land population you are thinking of ?

A. I would prefer to leave the marginal land people alone now. Tax the people above the margin and leave the natural forces gradually to protect the population on the margin.

11360. *Q.* Is not land revenue a provincial subject ? You have been suggesting a provincial remedy for the Central Government ?

A. I did not mean to deal with practical details of administration.

11361. *Q.* Would you regard a consumption tax on say cotton goods levied both on imported goods and the Indian mills goods as being a simpler method and economically sounder of getting at the general mass of the people ?

A. I think it is a sounder method, provided that your machinery of collection is not very costly. Broadly speaking the whole amount collected goes into the Treasury without reducing the tax paying capacity of the people. My objection to the import duty is that it pays a certain amount of money into the Treasury but at the same time reduces the tax paying capacity of the

people and compels them to pay higher prices for imported produce. An excise duty on tobacco and sugar, provided that it can be conveniently collected is a sounder method of taxation.

11362. *Q.* Turning to the question of the industrial soundness of a country, I think you suggested that high tariffs such as the United States had may have the effect of producing what may be called certain exotic industries at the expense of industries which would have flourished under free trade. That is your view?

A. Certainly it is true. I think that certain industries which would have gone ahead such as harvesting machinery have been definitely handicapped by the protective tariff, and it has brought into existence other industries which would not have been there on their merits.

11363. *Q.* In that connection you wished to suggest that India is at present industrially sound, though rather backward. Industries have so far developed on economically sound lines.

A. I think I may make a small exception in respect of industries which came into existence during the war and which I think have rather failed since.

11364. *Q.* But the major industries are all right, jute, cotton, tea, etc.?

A. Yes. I entirely agree.

11365. *Q.* If those industries are sound, would you expect them to progress in an increasing ratio if left alone unhelped or unhindered by tariffs?

A. Not in the case of the cotton industry, I think, because it seems to me that the expansion of the cotton industry in an increasing ratio in the future presumes that you are going to meet from Indian sources the kind of cotton goods that are made out of raw materials which are not found in India at present.

11366. *Q.* I am not thinking of the finer counts. I am thinking of the large business in coarse qualities which comes from Lancashire and also developing an export trade.

A. I think I am right in saying that a very small quantity of the coarse cotton goods do come from Lancashire.

11367. *Q.* I think there is a large quantity that could be very closely imitated here?

A. There is a margin certainly, but I think there is a fairly clear cut division between counts up to 30*s.* and counts above and any considerable expansion of the Indian cotton industry, with the exception of the hand weaving industry, would have to be in the sphere of the cotton goods made from the finer counts.

11368. *Q.* I do not think that is my own experience. But what about export?

A. As regards export, the important question I suppose is chiefly that of transportation. I understand that India has recently lost some of her position in the China market, and I take it that this is partly on account of the expansion of production in China and more because of the expansion of Japan. How far that is due to the practice of Japan in practically subsidising exports by means of cheap transportation facilities I do not know. Otherwise, I see no reason why India should not obtain a large export market for her coarse cotton goods.

11369. *Q.* But I gather that you favour the natural expansion of industries in India under more or less free trade conditions rather than a hot-house expansion.

A. That is my general position. I have fully admitted several times this morning that I am not hide-bound in my attachment to free trade.

11370. *Q.* I suppose the expansion of one industry would naturally lead to the establishment of subsidiary industries?

A. That is a very important point that would have to be borne in mind in considering a protective tariff. Protection will have to be given to a group of connected industries. But what I feel is that any large advance in the direction of protection without having surveyed the grounds will mean that it would impose a very heavy burden on the country, that it would give rise to a great deal of false hope and expectation, and probably lead to the flotation of a number of enterprises which would inevitably go to the ground before very long and lead to a serious financial crisis, followed perhaps by a general period of distrust and suspicion which would set back the industrial development of the country for a fairly long period.

11371. *Q.* In deciding what industries should have protection, if it were found that there was one mill working profitably on a particular commodity which was able to exist without protection would you deduce that the industry did not require protection or that a certain amount of protection would be necessary to support the various other competing mills which were not so prosperous?

A. In trying to answer this the two questions that I should begin by asking myself are these: First, whether these mills produce goods of a special kind which satisfied a limited market and whether there was any room for expansion in that particular direction. If they supplied a market for goods the demand for which was much larger than the supply, then it would inevitably prove to my mind that if one mill could work at a profit other mills ought to make the same profit, because there would be economy resulting from the growth of the volume of business. You get better labour supply, better transport facilities, and so forth. The other question would be whether the limitation in the number of mills was due to the lack of business enterprise. I believe myself that there is a great deal of opportunity for industrial development in this country provided that you have adequate industrial enterprise. I do not know whether I am right or wrong, but after discussing the subject with company promoters in Bombay and with business men in Calcutta I have got the impression that there are a number of opportunities for the exploitation of industries which might be profitably taken up if people were ready to take them up with a moderate margin of profit, that many of the industrial enterprisers are now proceeding along well-defined lines, and do not wish to strike out new paths and take to new ventures.

11372. *Q.* Don't you think it is due to the fact that there is still room for development in these industries and that until that is completed, people will not venture into untrodden and unknown tracts?

A. Yes. But it points also, I think to the small supply of organising ability.

11373. *Q.* Coming to the question of revenue tariffs, the general opinion is that in order to raise money, revenue tariffs are inevitable.

A. Yes. I think so.

11374. *Q.* Would you advocate a general revenue tariff on everything or would you start discriminating?

A. No. I think that in a general revenue tariff there is room for discrimination.

11375. *Q.* Discrimination leading to quarrels between different industries?

A. Perhaps leading to some discontent. You have had discrimination in the Indian tariff for a long time. Iron goods, for example, were admitted at 1½ and 2½ per cent. You have had a lower general revenue tariff imposed on commodities which are raw materials and you have had a higher range of duties imposed on consumption goods. I do not want to penalise by any tariff imposition developments in the shape of railways, and things of that kind, what I may call permanent developments and I should propose to continue to discriminate even in a revenue tariff between such articles as are luxuries on the one hand and widely consumed necessaries on the other.

11376. *Q.* Suppose you had duties at 3½, 7, 11, and 20 per cent?

A. I should regard any tariff as high as 20 per cent as objectionably high except in the case of real revenue necessity.

11377. *Q.* Even on luxuries?

A. Even on luxuries 20 per cent duty is too high. I am not now considering liquors and certain limited classes of goods but luxuries generally. I think a general 11 per cent duty is too high and you cannot have a duty of 11 per cent, without very considerable reactions on the direction in which industries will develop, and if you are going to have a tariff as high as that I would prefer that it should be designed so as to favour particular industries and a lower tariff imposed on other things so as to give the maximum protective effect to those industries that I wish to protect.

11378. *Q.* To give the maximum protective effect of a revenue duty would you advocate specific duties?

A. Yes, or *ad valorem*, in many cases.

11379. *Q.* The position is this. In a low market a specific duty would be more and in a high market it is rather low. Do you think this would give better protection to Indian industries ?

A. It does not seem that it would necessarily alter the amount of protection. It depends I think on the range of fluctuation and the relative length so to speak at which the market is high or low. Is it not a fact, if I may put a question in reply, that the industry would estimate its profits over a certain period within which it would allow for fluctuation. The effect of your specific duties would be rather to rise when prices are low and *vice versa.*

11380. *Q.* It gives greater protection to the manufacturer when prices are low and less protection when prices are high. Does it not come to this that when prices are high it lowers the protective effect of your duty and therefore reduces the margin of profit available to the manufacturer ?

A. Protection will give him an opportunity for charging up to the import price point and therefore it will give him a wider margin of profit at the high price range. When prices are low, it imposes a rather higher import duty. If you can assume that there will be an equal volume of business at the high point as at the low point, what he loses in the surplus profit at the high point, he would gain at the other end. I should imagine that since the volume of business is likely to be greater at the low price point than at the high price point probably it would come that way ; you gain more by a duty which reduces the tax burden.

11381. *Q.* There is one other question I want to ask you about dumping. Goods might be dumped into this country because of a temporary surplus at the other side and sold at a loss. The effect of that is presumably only temporary. The other case is where the other country having a tariff wall of its own distributes its overhead charges, over the goods which it sells locally and sends us the balance at the mere cost of production. I would like to know what attitude India should take in regard to the two cases and what effect they have on the general prosperity of India. There is just one other point in that connexion. You would have to consider also whether this permanent dumping would cause the industries in India to be killed resulting in our having only one supplier who would make us pay up, or whether in spite of the dumping, there would be so much competition in the rest of the world that we need not have to be in the hands of any one country ?

A. Well, it is very difficult to answer this question except in rather general terms. I admit that each of the positions which you suggested is conceivable. There is nothing logically impossible about them. My view with regard to what is called permanent dumping is first this. The extent to which things are regularly and for a considerable time dumped below the total cost of production is greatly exaggerated. Assuming however that it is a fact it seems to me to be entirely beneficial to the importing country. In other words you are merely putting the importing country in the same position as if the foreign country had discovered some new method of producing articles at a permanently lower cost—in other words they are taxing themselves to the benefit of the consumers of the importing countries. Therefore I can see no reason if you accept the general argument in favour of an international exchange why you should refuse a benefit of that particular kind.

11382. *Q.* Unless this leads to the exporting country having a monopoly ?

A. If as is commonly suggested this under-selling for a long period is preparatory to the establishment of a monopoly position on the part of the exporter, I would say that there is nothing in our experience to show that that is actually brought about. For instance both the German Iron and Steel Company and the United States Steel Corporation have been accused of dumping of this kind but I can see no prospect whatever that either of these two organisations will achieve a monopoly position. You cannot answer the question except by analysing particular cases because it is conceivable that it might happen. It is of course alleged that the German aniline dye was in that position. I have read well informed articles showing that the real advantage of the aniline dye industry was in Germany's superior chemical application and that she did not exercise monopoly powers. I think that it is extremely difficult for any one country to get monopoly profits out of the rest of the world through an industry which can conceivably be widely developed in other countries.

11383. *Q.* In theory you can imagine cases where anti-dumping legislation might be necessary ?

A. Yes.

11384. *Q.* But in practice you are very much against the matter ?

A. Very much.

11385. *Mr. Coyajee—Q.* You have closely studied the industrial developments and conditions in Japan ?

A. Yes, but my knowledge is somewhat antiquated now. I was in Japan in 1916 and I have only quite generally been in touch with subsequent developments.

11386. *Q.* Looking to your studies in 1916 how far do you think that protection has contributed to the industrial development and success of Japan ?

A. I think it had a very considerable effect if you include under the term protection not only the actual tariff but all the measures which Government in one way or another has taken to benefit the industries and particularly her export trade.

11387. *Q.* Taking tariffs to start with what would be your estimate of their effect ?

A. Broadly I should say that the protective tariff has led to the establishment in Japan of one or two very costly industries. Her production of iron and steel at Okkahama is, in Japan, a bye-word for an institution which has absorbed large bounties and funds. It was recognised in Japan as being an instance of an industry which under protection could be kept going at a loss. Take again her naval dock yards. I tried when I was in Japan to get an estimate as to the different costs of production in the dock yards of Japan and in the dock yards of Europe so as to find what they could import at and what they could produce at. I was told by those who appeared to me to be best able to form an opinion that the cost would be three times more in the Japanese dockyards. If you wish me to say one or two words more, there is one interest which is specially supported by means of the tariff, *i.e.*, those small industries which work up semi-manufactured goods into finished products. Japan I found to be a country where there are a very considerable number of what you might call petty manufacturers residing in the little back premises of Tokyo with elementary machines but carrying on on a certain small scale mechanical basis. The sort of thing they do is to import pencils in a crude fashion and give a few touches and make them into finished goods. If you take the large variety of goods, there is a good deal of this kind of industry in Japan and to my mind one of the things which distinguishes India from Japan is the great amount of enterpise on the part of small manufacturers in Japan and the lack of enterprise on the part of small manufacturers in India. When I was trying to get some evidence for the Industrial Commission in Calcutta I went round to a number of small or medium sized engineering business factories in the neighbourhood of Calcutta and as far as my enquiry went, I found that they had gone on the old lines,never attempting to develop new sides, or making experiments in this or that direction. In Japan even a very small man will look about to see in what way he can become a manufacturer. They often go bankrupt. They can get loans fairly easily from Banks and although there is a good deal of perhaps unsoundness in that kind of industry it no doubt promotes development.

11388. *Q.* What was the effect of the tariff system on the cost of living in Japan and on real wages ?

A. Amongst those who chiefly read and thought from the point of view of the agriculturists it was the universal impression that the cost of living had been rising very rapidly indeed and that the position of the agriculturists had been rendered extremely burdensome by the policy of industrial development in the country. Prices had gone up I think I am right in saying five fold in a comparatively few years.

11389. *Q.* Have the real wages gone up ?

A. When I was in Japan the increase of real wages had not really begun. I understand that since then there has been a very rapid increase in real wages amongst

the industrial population but I have not been able to get sufficient accurate statistics.

11390. *Q.* When you were in Japan, protection had been in operation for a long period ?

A. Oh, No! Japan did not have a protective tariff until 1911 though she had protection in a mild form since 1904.

11391. *Q.* You say in your statement "It ignores the fact that India now benefits from the increasing returns obtained in manufacture through the process of exchange and that the establishment of manufactures in India, if less efficient than those elsewhere would reduce those advantages." Now as to this might I suggest that as India imports more and more manufactures it would have to pay for them by increasing exports of raw materials and agricultural goods and consequently the disadvantageous action of the law of diminishing returns would be constantly increasing. Would you agree with that ?

A. I certainly agree with the propositions that in so far as the population of India is increased, it would lead to the cultivation of inferior lands which might reduce the returns from agriculture, but I would suggest that if inferior lands were used, it would alter the relative efficiency of agriculture and manufacture and if through the application of the law of diminishing returns the income were to fall so low, it would *ipso facto* reduce the cost of labour.

11392. *Q.* That leads us to a national point of view. Looking to the conservative nature of the people if they are allowed to work more and more at agriculture, they would never come out of the groove, but if an inducement such as the stimulus of protection could be given, perhaps they might be induced to reconsider ?

A. That is why, if I may say so, I laid special stress on the indirect effects of industries and I have included the effect which they would have on the standard of living of the agricultural population. If a workman goes back to his village, he brings in a habit that becomes general throughout the village. This is one of the forces which drive the population.

11393. *Q.* In answering Mr. Rhodes you showed a preference for specific duties but might I suggest that under a system of specific duties the protective system becomes highly fluctuating and erratic ?

A. If you have specific duties you should have the power of revision so as to bring them into relation with the general prices. You should have a book of rates which must be constantly revised.

11394. *Q.* The legislature could not be always trusted to do that ?

A. It must be done by executive authority.

11395. *Q.* With respect to the Indian tariff, you observe that the duties are already higher than is consistent with the principle of a tariff for revenue. If there is to be any large demand for revenue, you will object to utilising customs duties as a source for additional revenue ?

A. Well, I have already said that I should prefer—if it is administratively possible and there I do not profess to be an expert—an increase of direct taxation. If that is not possible then I should be prepared to approve an increase of customs duties on goods widely consumed for which the demand was inelastic because I regard an increase of revenue as one of the necessities of the country.

11396. *Q.* You observe in your statement "If the agriculturist benefited from the growth of protected industries it would be mainly from the rise of machine industry localised in the various industrial centres." Do you think that by a process of limitation the growth on a large scale of manufactures might lead to the growth on a large scale of scientific agriculture in India ? Is there any chance of that happening ?

A. My own belief is that in future—I don't know how far the future will be—the pressure of population coupled with the advance in education and the growth of wants will bring about a land revolution in India completely altering her present land system which is extraordinarily wasteful. The pressure of population and the rise in the standard of living will necessitate a change in the land system of India, which is likely to be hastened by the development of industries.

11397. *Q.* Do you think also that this would be hastened by a rise of wages in manufacturing industries through protection which would also lead to a sympathetic rise in agricultural wages ?

A. Yes.

11398. *Q.* Don't you think that the experience of all times proves that some of the hoarded wealth in India can be induced by protection to function as capital. You know that when recently companies were started a good deal of capital came out far more than was expected ?

A. I think that protection would bring out a certain amount of capital, although I do not know from what source that would be derived. I do not know whether you mean the capital which is now invested in land or whether you mean any sudden investment of wealth which might be said to have been hoarded.

11399. *Q.* Coming to the historical aspect of free trade, would you agree that the free trade experiment was launched in England under exceptionally favourable conditions ?

A. It was under conditions favourable to industries but unfavourable to agriculture.

11400, *Q.* It was launched tentatively and was brought in by the lowering of duties for many years ?

A. Yes, it took a very long time.

11401. *Sir Montagu Webb—Q.* I have listened with very great interest and benefit to the answers which you have been giving and there is very little indeed for me to ask. There is just one theoretical point which I should like to clear up. By general consent the policy of free trade leads to the most economical production both personal and national. That I think is beyond all question. Any diversion therefore from the policy of free trade has to be paid for, and the problem before us I take it is, what is worth paying for. Now I notice that you make certain exceptions to the orthodox free trade theory, at any rate you are prepared to pay for the encouragement of infant industries. You recognise the infant industry argument. You also recognise the advantages that would arise from the training of Indians for administrative work. You also towards the end of your paper recognise the advantages of a diversity of occupation for Indians. I take it that you would also recognise that the encouragement of Indian industries is necessary for the purpose of national defence which is also worth paying for. These are four things which may properly be paid for and by which we may depart from the strict policy of free trade. I should like your opinion on another point. You have several times said that there is no advantage in industries in themselves. If let us say agricultural development continues, the profits therefrom are distributed broad-cast all over the country and are not easily accessible, whereas in the case of an industry the profits are more concentrated and the capital can be more easily accumulated and utilised for the purpose of further production. So, is it not a fact that in this respect an industry has got attractions in itself. I ask you specially because towards the end of your memorandum, your answer to Question No. 9 sub para. (*f*) you say that the accumulation of capital is not a desirable end in itself. I should have thought that this is the one end needful without which humanity cannot progress, and that if industries can accumulate more capital than agriculture owing to industries being concentrated, it seems to me that there is a very powerful argument in favour of industrial development. Could you give us your views on that point ?

A. When I spoke of there being no justification for the belief that industries were desirable as such, I was combating what I feel to be an opinion prevalent amongst many people of this country that they are desirable as such. I find often the idea in people's minds that if we can establish industries, we shall be better off. I want strongly to combat that opinion. Then as to the question whether industries will have as an attendant result the accumulation of capital at a faster rate than it would be accumulated in agriculture, I have indicated that that is my opinion.

11402. *Q.* Where is that ?

A. I have said in answer to Question No. 9, my sub-section (*f*): "Protection to industries is sometimes advocated

on the ground that it leads to an increased accumulation of capital in the protected country. This argument is often rebutted by the contention that since protection is likely to reduce the national dividend it will diminish the margin of incomes from which saving takes place and is thus likely on the whole to lessen accumulation of capital. But admitting the general truth of this argument, it is in my opinion possible that protection may lead to an accumulation of capital that would not otherwise take place. For protection may be regarded as a tax on incomes which diverts a part of the national divided from those who would not to those who would use this wealth as capital." I maintain myself and I have always believed that when capital flows into industrial channels it gets managed by Boards of Directors who do not distribute the whole dividend but keep reserve funds for developing purposes and thus help to create capital which would not be created if it were left in the hands of the agriculturist. However, I do not agree to the general theoretical position that protection would add to the capital of a country. What I mean is this: supposing you get the capital of a company subscribed by a number of rich men who receive back larger dividends than they would get out of agriculture and then merely sit on them and do not use them for further development, such investment brought about by protection would not help accumulation of capital.

11403. *Q.* You do not classify a dividend that is set apart for reproductive purposes as capital?

A. The strict definition of capital is work that is used for reproductive purposes.

11404. *Q.* If the dividend is used for reproductive purposes, that is an argument for encouraging industries?

A. Yes. Your import duty may create capital by taxing people and putting it in the hands of those who will use it for development purposes.

11405. *Q.* Would you accept it as an argument for protection?

A. It involves a further assumption that there are opportunities for capitalistic exploitation which are desirable in themselves. If you do not make that further assumption, there is no case for protection, because you are merely taxing capital in order further to bolster up capital.

11406. *Q.* In your answer to Question No. 1, you "reject as unsound the arguments sometimes advanced in favour of protection that it is necessary in order to maintain a high standard of comfort among the working classes." I take it that only by the regular and continuous accumulation of capital can the standard of living be raised. Unless savings are continuous we must stand still. Is that so?

A. No: I do not think the accumulation of capital is the only factor in raising the standard of living.

11407. *Q.* But it is one of the vital means?

A. Yes.

11408. *Q.* It is one of the means without which we cannot go forward?

A. Yes. I was meaning to reject the argument which is very commonly used in the United States, that the American working man enjoys a higher income than the British working man. The popular argument in America is that he enjoys that position from the protection which he gets in American industries. I believe that that is a fallacy.

11409. *Q.* There is only one other point I want to ask you. In your answer to Sir Maneckjee Dadabhoy you said that owing to the war India had lost certain markets and that she had bought a less quantity of materials at higher prices, and therefore she had lost. Has she not had a further loss in that she has now a larger national debt that has to be paid?

A. I was not pretending to make an exact balance sheet of profit and loss.

11410. *Q.* There are many people not only in India but in England who made enormous profits out of the war?

A. I believe the whole world has lost on account of the war, but certain countries and certain classes made very exceptional profits. One has to draw a distinction between the country as a whole and certain classes.

11411. *Mr. Narottam Morarjee—Q.* You have said that during the last eight years there has been a considerable transfer of tax burden from the cultivating class to that of other classes and that the cultivating class is now relatively under-taxed. Are you not aware that most of the members of the cultivating class do not get more than one meal a day?

A. I do not accept that at all.

11412. *Q.* Mr. Romesh Chandra Dutt and many other economists who have made a study of the question, have said so?

A. I do not mind who makes the statement: I do not believe it is true.

11413. *Q.* Have you had experience of the villages?

A. Yes. I am constantly examining my students who nearly all come from the villages, as to the economic conditions of their villages, and I have through my students collected family budgets in large numbers, and while I admit that probably in every village there may be individuals who may have only one meal a day, I cannot admit that a large number are living with only one meal a day. I have travelled through the villages of Bengal for three months in connection with famine, and I have not found any signs to support the statement that a large number of agriculturists get only one meal a day all through the year. They may have only one meal for a few weeks in the year, but I do not believe that a large number of them have only one meal a day throughout the year.

11414. *Q.* A large number of them?

A. Only a very small minority.

11415. *Q.* You have given figures about land revenue. In 1912-13 it was 31·92 lakhs and in 1920-21 it was 32·62; that is an increase of 2 per cent. So, practically there has been very little increase. Does not that show that during the last 7 years they have not been able to tax it more?

A. It only proves,—subject to correction by those who know more than I do,—it only proves this fact: that the land revenue settlement is made for a long term of years and that revision of the settlement takes place very slowly and the increase in assessment is very small. It does not show anything as regards the taxable capacity of the people.

11416. *Q.* That is your experience in Bengal only?

A. No, I do not refer only to the permanent settlement. The land revenue in Bombay and Madras is a 30 year settlement. Suppose you settle the land revenue in 1914, it is not until 30 years after that it is revised in the ordinary course.

11417. *Sir Maneckjee Dadabhoy—Q.* There are some shorter term settlements too, about 15 or 20 years.

11418. *President—Q.* The settlements do not take place simultaneously over the whole province. Every year there is a settlement in one place or other?

A. If it were not so, you would not get any increase at all. Even if you get a revision, I understand that the principles of settlement revision are not such as to secure an advance of land revenue in anything like the same proportion as the general rise in prices.

11419. *Mr. Narottam Morarjee—Q.* What would be the effect of protection upon inter-provincial trade?

A. I think it is rather difficult to say. If you exclude imported manufactures and their place is taken by manufactures, say in Bengal or Bombay, and those manufactures have to be transported to other provinces, there might arise greater inter-provincial transportation than if you had imports from foreign countries, such as you

have now, landed at different places such as Colombo, Bombay and Calcutta. Generally speaking I argue that if you impose a system of protection which reduces the total volume of wealth production there is no reason to suppose that manufacturing the goods inside the country instead of importing will lead to a larger volume of commerce or of transportation.

11420. *Q.* In answer to one of the questions you said that the cost of shipbuilding in Japan was more than in England. Do you include the mercantile marine ?

A. I should include both : mercantile marine and the navy. As a matter of fact, you may say that shipbuilding generally is more expensive in Japan than on the Clyde.

11421. *Q.* I do not know whether you saw it in the papers or not, but it was stated that America was arranging to get some ships built by Japan. I imagine America would not do so if ships can be built in America cheaper than in Japan. Would you not therefore modify your statement that the cost of production in regard to ship building in Japan is twice or thrice that in England ?

A. I was not comparing Japan with America.

11422. *President—Q.* If the cost of production in Japan was 50 or 30 per cent. more than that in England, then America would not go to Japan for getting her ships built ?

A. I do not know what led America to do so, but the order must be trifling.

11423. *Mr. Narottam Morarjee—Q.* Do you find more poverty in Japan than in India ?

A. No, I think I do not find more in Japan.

11424. *Q.* Then, is it not probable that owing to her industrial development Japan is more prosperous ?

A. I do not think you can draw any particular connection between the two.

11425. *Q.* Do you think Japan is industrially more prosperous?

A. I think the Japanese agriculturist is poorer on account of the industrialisation of Japan than he would otherwise have been. The Japanese agriculturist is very poor. I have heard it said that the girls leave the fields and go to what they call a three year's slavery in the factories. They work very hard ; they are extraordinarily industrious, but there can be no denying the fact that they are extremely poor. I do not think, however, that they are so poor as some of the same classes in India.

11426. *Q.* Is living cheaper there ?

A. No.

11427. *Sir Edgar Holberton—Q.* With reference to this question of the cost of living in Japan your information is that living there is more expensive generally ?

A. Well, I was just going to qualify what I said. The Japanese require more articles that may be classed as necessaries of life, than the Indians. This is partly for climatic reasons and so on.

11428. *Q.* Would you at the moment look upon Japan as a commercially sound country ?

A. My information in any detail is, as I said, somewhat antiquated. When I was in Japan the opinion expressed to me by all the Consuls and people of that kind on that question was that Japan was a radically unsound country financially, and I have heard it said that if it had not been for the war there would have been an industrial crisis in Japan.

11429. *Q.* Was it in your opinion over-industrialised ?

A. I think the very general ambition on the part of the Japanese to develop industries and to make a show and to prove that they were rapidly progressing was leading them in many cases to very unsound commerce and very unsound manufacture, and I think the study of Japanese economic conditions shows that she has suffered very considerably from alternations between crises and relative prosperity.

11430. *Q.* The work-people, I understand, have not been considered in this progress at all. That is to say, the conditions of housing labour in factories and things like that in Japan are such as would not have been tolerated in other countries ?

A. Well, the Factory law, when I was there had been revised, but it was the practice in Japan to pass a law, and to prevent it from coming into operation by not promulgating it. In deference to the request of the cotton manufacturers, the law had not really been enforced in the cotton industry. There is no doubt that the hours of labour and the conditions under which many of the work people lived were very unsatisfactory.

11431. *Q.* Which of course gives her what one might describe as an unfair advantage, from a trade point of view, over a country socially better organised ?

A. Well, it is stated in a book about Japan by a person who lived there for a considerable time that the Japanese cotton industry was very largely founded on the unwarrantable exploitation of the young female cotton spinners and weavers. I cannot say how far it is true, but I think there is a large amount of truth in it.

11432. *Q.* It is doubtful, you say, whether Japan is a commercially sound country. Would you say the same thing about Canada or the United States of America ?

A. I am afraid I do not know anything about the present position of Canada.

11433. *Q.* I am told that conditions in Canada are very similar to those in the United States. Let us take the United States alone ?

A. I think the position in the United States has very often been very unsound : the state of things which led to the crisis in 1907 was very unsound. But speaking broadly the position in the United States must be sound, because it is founded on institutions which are administered by extremely able people with great experience.

11434. *Q.* But it is probably the most expensive country in the world to live in. It was counterbalanced, admittedly, before the war by probably the highest scale of wages in the world. Now, from an economic point of view, would you look upon it as an advantageous thing to a country to be in such a position that it can afford to pay these abnormal wages in order to make up for the extra cost of food-stuffs and necessaries ?

A. Economically it does not matter whether a man receives high money wages and pays high prices or whether he receives low money wages and pays low prices, because the general level of prices in a country is correlated with the general level of prices in any other country. Whatever the money rates may be in the two countries they will be correlated through the rate of exchange. What I mean is that the value which the country with high money rates would get for her exports would be brought to the world market value through the rate of exchange. One of the most powerful causes determining the rate of exchange is the relative price level in the various countries.

11435. *Q.* Has America arrived at her present position on account of or in spite of protection ? Have you any views on that ?

A. It is one of those very broad questions which are very difficult to answer, but I should say in spite of protection if you want me to give an opinion one way or the other.

(*President*—But still she continues that policy).

(*Sir Edgar Holberton*—She cannot get out of it).

(*President*—Even a republic cannot do it).

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Witness No. 75.

Mr. J. A. HUBBACK, I.C.S., Secretary to Government of Bihar and Orissa, Revenue Department.

Written statement dated Patna, the 9th January 1922.

11436. I am directed to refer to your letter No. 121, dated the 7th October 1921, in which you asked that the views of the Governor in Council on the general questions involved in the Fiscal Commission's enquiry may be communicated to the Commission.

11437. 2. The Government of Bihar and Orissa generally favour a policy of free trade and regard a protectionist policy as one dangerous to the peace of the world and of very doubtful benefit to the country which adopts it. The benefits which it can confer on the protected industries are obvious, but the harm that it does to the general body of consumers, though usually disguised by fluctuations of price due to other causes, is no less real, while without doubt it involves serious danger to political morality. At the same time His Excellency in Council, while desiring that the imposition of customs duties should on the whole be only imposed for the purpose of obtaining revenue, does not oppose such modifications of that policy, as the most pressing needs of India generally and Bihar and Orissa in particular may from the industrial point of view demand.

11438. 3. Bihar and Orissa is primarily an agricultural province, but in Chota Nagpur and parts of Orissa there is a great future for the development of the metallurgical industries. Its agriculture is mainly directed towards the production of foodstuffs, in which it is normally in a position to feed itself with but little margin for export. At the same time it normally exports to other parts of India the cheaper food grains, *e. g.*, pulses, and draws in a small amount of its requirements of rice and wheat, depending for the former principally upon Nepal and Bengal. The Orissa Coast districts and in good years the Bihar districts export to foreign countries some rice particularly of the finer qualities. The only other agricultural products of substantial importance in foreign trade are sugar, rice, oil seeds and jute; of these the first is of increasing importance, while the last is confined to a comparatively small part of the province.

11439. 4. From the point of view of production the agricultural industry of the province needs most of all cheap manures, but it is expected that it will require in the future to an increasing extent, cheap pumping plant for irrigation and drainage. In the matter of markets it would undoubtedly benefit the Bihar agriculturists if the home market for sugar were secured against foreign competition. It is however by no means certain that export duties on oil-seeds would, as is often asserted, be of advantage to the province by stimulating the oil-crushing industry and thereby retaining the cake as a manure. The effect of the imposition of such duties would depend on whether foreign countries would transfer their demand from Indian oil-seeds to oil produced in India within a reasonable space of time. An appreciable period would certainly intervene during which the oil-crushing industry must expand to take the bulk of the Indian output, and during that period the cultivator would be in danger of losing his market for seeds. In the matter of jute, the interests of Bihar and Orissa are similar to those of Bengal and a moderate export duty does not and will not affect the producer, since no foreign country can at present compete.

11440. 5. The only other question with which the Bihar and Orissa agriculturist, as a producer, is greatly concerned is an export tax on food grains. As already stated there is no large margin for export of rice from the province. The popular feeling regards this export as deleterious, believing that it tends to diminish the quantity available for internal consumption and to raise the price. The opposition to export, as far as the Governor in Council can judge comes chiefly from the towns, but it is noteworthy that one of the leaders of the party which is in process of formation to represent the interests of raiyats, *viz.*, Babu Shiv Shankar Jha, takes the same view. His Excellency in Council doubts, however, whether the raiyats have yet made sufficient progress in economic thought to enable them to follow out the ultimate effect of an export duty on rice sufficient to restrict the foreign demand. It can hardly be denied that the foreign demand by keeping up the price renders the use of manures profitable. This in its turn makes for greater yields and, apart from the pecuniary benefit to the cultivator, creates a margin of supply over normal consumption, which in unfavourable years is of great utility. Complete restriction of export would bring about the position that India would *on the average* grow precisely as much food grains as she consumes, and consequently prices would oscillate even more than they do at present with the character of the season. In bad years India would be forced to import and at least lose by the amount of freight from the importing country and probably by a great deal more.

11441. 6. On the industrial side Bihar and Orissa is chiefly concerned with the development of *its* coal and metals. The Indian Mining Federation, whose views have been sent to the Commission, press for an import tax on coal to give temporary protection to the coal industry. At the same time they protest against any restriction of the export of coal. Their views illustrate the class of demand which a general protective tariff system must be expected to encourage. Differentiation against foreign coal is practically certain to raise the price of Indian coal at a time when the need for cheap fuel for industrial development is paramount; and is entirely inimical to the interests of the community as a whole.

11442. 7. For protection of metal industries, especially iron and steel, there is more justification. They are still in their infancy and for the most part have not yet reached the stage when the large capital expenditure required for their development can be safely incurred so long as there is a fear of determined foreign competition before they are fully established. The Government of Bihar and Orissa are prepared to support a moderate degree of protection for these industries on the understanding that it will be strictly limited in time. There is room for the development of chemical industry in Bihar and Orissa, but it is exceedingly doubtful whether protection for that industry will not, by raising prices of chemical products of first class importance to other industries, strangle as much productive energy as it calls out in the chemical industry itself.

11443. 8. Weaving is not organised in Bihar and Orissa as a factory industry and on behalf of the province there is no need to discuss the case for the producer with regard to this industry except as a cottage industry. The proper method of aiding this cottage industry, as well as other handicrafts organised in a similar manner, is by the appointment of expert staff, the maintenance of institutes and schools, the use of demonstration parties to tour in the villages and the assistance which the co-operative movement can afford. The Governor in Council does not advocate any special degree of protection by means of excise for the products of the cottage weaving industry as opposed to those of the mills.

11444. 9. The only other industry with which Bihar and Orissa is greatly concerned is tanning. The province is a large producer of raw material and might well be developed with advantage as a producer of finished goods. There are very evident advantages in a country with a vast cattle population retaining its output of hides and providing itself with its requirements of leather. India as a whole and Bihar and Orissa itself are fully equipped with most of the raw materials required for the industry and only lack, to a diminishing extent, the necessary skill and experience for manufacture and the ability to design and construct the machinery for large scale production. The tanning industry is, moreover, a key industry in the sense that leather is an important munition of war. The Governor in Council considers that it would be for the benefit of the province to impose an export tax on hides for a period sufficiently long to encourage the establishment of the leather industry in all its branches.

11445. 10. The Governor in Council believes that in the great majority of cases protective tariffs have the effect of

raising the cost of living. As far however, he is able to ascertain the popular opinion on this subject, he believes that the public is prepared to take the risk, wherever the tariff is likely to stimulate effectively the development in important industries without hampering development in other directions. He has no doubt that the bulk of the population prefer indirect to direct taxation. The one necessary of life that is greatly concerned in the discussion of tariff policy is cotton cloth. The attempts to shut out Manchester or Japanese cloth by the increase of cotton import duty without countervailing excise cannot benefit an ordinary inhabitant of Bihar and Orissa, unless he is a weaver. At the same time there is little doubt that, mainly for special sentimental reasons, public opinion in Bihar and Orissa would follow the rest of India in opposing the raising of the excise to the present level of the import duty. Should however the policy of general tariff protection be established and grow to that full maturity, which the history of the other countries gives reason to expect, there is little doubt that a serious rise in the cost of living will ensure, with which the agricultural wage earner and the middle classes will find difficulty in keeping pace. The industrial wage earner will probably be able to keep up his real wages, but only at the cost of constant agitation. The Governor in Council believes that in this event a great revulsion of feeling against a strong protective policy will occur.

11446. 11. The effect of a general policy of protection by means of import duties, especially if it is accompanied by a policy of conservation of internal resources by means of export duties, will without doubt diminish foreign trade. If it goes as far as its principal advocates appear to desire it will react most unfavourably on the general commercial position and prospects of the country. Exports in the long run are paid for by imports, and if imports are checked by a tariff the demand for commodities for which India has especial advantages and which she can well spare for foreign markets will fall off. The loss of foreign markets cannot be fully made up by the gain of the exclusive command of home markets. Further a widely operative check on imports will lead to stagnation in production by withdrawing healthy stimulus to new enterprise.

11447. 12. The general attitude of the Government of Bihar and Orissa on the subject of export duties has already been indicated while discussing the position of the province from the producers' standpoint. Export duties should be primarily regarded from the revenue point of view and not from that of conservation of products in the country. The latter consideration may, however, be brought in when the export is a raw material, which can be effectively worked up to meet an internal demand, and for which the increased price, which a foreign demand might cause, will not materially stimulate production. The case of hides satisfied this condition, but the export of food grains cannot be brought under it, since the increased price obtained by the foreign demand certainly stimulates production by more intensive cultivation. Export duties can certainly be imposed without injuring trade, in the case of commodities for which India has a quasi-monopoly, *e. g.*, jute, lac and mica.

11448. 13. The conditions of Bihar and Orissa do not afford any special reason for advocating Imperial Preference. The Governor in Council doubts whether the principle is one which in the long run makes for the solidarity and stability of the British Empire. In the case of India the adoption of Imperial Preference is likely to be one-sided, because while the rest of the Empire would probably benefit by an advantage over foreigners in the Indian Market, there are few foreign countries which directly compete with India for the markets of the rest of the Empire. India would, therefore, have little to gain and a substantial amount to lose by the adoption of Imperial Preference.

11449. 14. The Government of Bihar and Orissa cannot subscribe to the few that the tariff should be framed *primarily* with the object of fostering Indian industries, but they hold that to a strictly limited degree that object may well be kept in view. The need for developing industries other than agriculture, is urgent both in order to relieve the population from their excessive dependence on a favourable monsoon, and to secure the production within the country of certain commodities essential for defence. The Governor in Council does not however look forward to India becoming entirely independent of other countries in regard to all her requirements of manufactured goods, but expects that she will continue to exchange with mutual benefit the commodities, for which she has special advantages, for those where the advantage lies elsewhere. At the same time there is no doubt a wide field for development in India, which will reduce the need for import of manufactured goods. Judicious use of the tariff may assist, but it is to organisation and above all training in technique that attention should chiefly be directed to remedy a situation which is certainly as detrimental to India's material prosperity as it is offensive to her national pride.

11450. 15. The Government of Bihar and Orissa would strongly deprecate an all-round imposition of protective duties on imported manufactures, some of which, such as machinery, India is in no position to produce in the quantities required for her development. The introduction of protective duties should be made with great caution, and the industry, that seeks such a protection, should be called upon to make out its case most adequately. The industries to be protected should be only those which are essential to national security or which, being dependent on supplies of raw material available in India, are capable of facing foreign competition after a comparatively short period of growth behind the tariff wall. There appears to be no good reason for fighting special concessions granted by countries of origin with a retaliatory tariff, except where the industries concerned satisfy the conditions which have just been stated. Information of special concessions relating to such industries could probably be obtained through the British Consuls and the Trade Commissioner without serious difficulty, but a special organisation would be required if the policy of retaliation were adopted indiscriminately.

11451. 16. The danger of combination among protected manufacturers to keep up prices is no doubt a real one and will have to be met by threats of withdrawing protection. It is extremely likely that British and foreign firms will establish themselves in India to obtain the benefit of any tariff which is imposed. The Governor in Council does not however deprecate such an eventuality since in the present circumstances India still requires the experience and enterprise of nationals of other countries to help her to establish her industries and to train her own population in them.

11452. 17. There is one more point on which the Governmen of Bihar and Orissa desire to express their opinion, though it is scarcely raised in the questionnaire of the Commission. That is the organisation required to deal with applications for tariff protection, if the policy of protection is accepted. There must be a Standing Commission to advise the Government of India, and it is important that this Commission should be as representative as possible. The Ministers in charge of Industries in the various provinces should certainly be members of such a Commission, and while direct representation of commercial interests is desirable, it is essential that the interests of the consumers be not overlooked.

11453. 18. The Governor in Council has consulted the Minister in charge of development subjects generally and in particular of industrial development and is glad to find that he is in agreement with the views expressed in this letter.

Oral evidence dated Calcutta, the 16th January 1922.

11454. *President.*—*Q.* Mr. Hubback, you are Secretary to the Government of Bihar and Orissa in the Revenue Department, and you appear on behalf of the Governor in Council?

A. Yes.

11455. *Q.* In answer to Question No. 2, you say: "The Government of Bihar and Orissa generally favour a policy of free trade and regard a protectionist policy as one dangerous to the peace of the world and of very doubtful benefit to the country which adopts it." Will you please explain that you mean by "dangerous to the peace of the world?"

A. I think the Government of Bihar and Orissa are of opinion that the friction caused by tariffs made, as protective tariffs very often are, against a particular country does result in international disputes which may ultimately result in war.

11456. *Q.* Does this view apply generally to all countries in the world, or is it specially meant for conditions in India? Is it a general proposition that a protective policy is likely to lead to war between different countries in the world, or is it that the adoption by India especially of a policy of protection would be dangerous to the peace of the world?

A. I should say that the meaning was that any further tract of the inhabited world that adopted a protective policy added to the danger of international friction. I do not think that it was intended to argue that the adoption by India especially added in any particular way to that danger.

11457. *Q.* Did you mean that those countries which had been quick enough to adopt a policy of protection were quite safe so far as the peace of the world was concerned, and that any other country which had remained under free trade, such as India, would endanger the peace of the world if it tried to imitate them?

A. No. I think it increases the danger. I think the danger is already there.

11458. *Q.* The consequence would be that if India were to adopt a policy of protection it would add to the danger of disturbances of peace in the world and therefore if India thought that it was to her economic advantage to impose protective tariffs, she should pause before she embarked on such a policy.

A. I think that it is one of the arguments against India doing it.

11459. *Q.* It is held that under present conditions India is being exploited by the export of raw materials and by the import of manufactured goods. Should India submit to that exploitation in order not to add to the danger to the peace of the world?

A. That is one of the arguments which must weigh with those on whom the decision rests.

11460. *Q.* So, Indian interests must be sacrificed?

A. Not necessarily. It is a question of balancing advantages.

11461. *Q.* That is to say the advantage is to the whole world but India should substantially contribute towards avoiding that risk by allowing herself to be exploited. Here the risk is to the whole world but the sacrifice is India's.

A. The risk is great whereas the advantage, if there is any advantage, is localised.

11462. *Q.* Then you say that it is of very doubtful benefit to the country which adopts it. As a matter of fact most of the civilised countries in the world have adopted a protective policy, have they not?

A. Yes.

11463. *Q.* In the opinion of your Government it is of very doubtful benefit to those countries and still they have adopted and continued it.

A. Yes.

11464. *Q.* It is very late. I don't wish to take up much of your time. I see you have qualified your general opinion in favour of free trade by suggesting that so far as your province is concerned there are certain industries for which there is justification to apply protection.

A. I do not think that that is exactly the interpretation I should put on this though there are certain cases which the Government of Bihar and Orissa would be prepared to see examined more closely.

11465. *Q.* That is to say, you would depart from your free trade policy to the extent of affording protection to certain special industries which can be established in Bihar and Orissa.

A. That is so.

11466. *Q.* That is to say, your Government is not wholly in favour of a rigid free trade, but qualified free trade giving protection to various industries on various grounds?

A. Yes.

11467. *The Hon'ble Sir Edgar Holberton.*—*Q.* I see that your Government would not favour an export tax on food-grains?

A. Yes.

11468. *Q.* In the view of your Government restriction of export of food-stuffs is not an economic advantage?

A. No.

11469. *Q.* It says that popular feeling regards export as deleterious. I am interested in the popular feeling. Do you mean to say that the agriculturists of Bihar and Orissa prefer restriction of markets?

A. All I can say is that one gentleman who represents the agricultural interests in the Legislative Council and is a genuine agriculturist himself takes that view.

11470. *Q.* Do you think that if you did have restriction of export, India would on the average grow precisely as much food-grains as she would consume?

A. Yes.

11471. *Q.* Do you find in the province that there is as a matter of fact enough food for the population?

A. On the average the production and consumption are practically equal in the matter of food-grains. As a matter of fact on the balance we export cheap food-grains and import better food-grains.

11472. *Q.* You have not got any statistics to support your statement that you produce just enough food?

A. The matter was gone into very carefully at the beginning of 1919 when the Foodstuffs Commissioner began to function. That is the conclusion we arrived at and which was also accepted by the Government of India to whom we gave detailed figures. It is very difficult to get statistical information on that point. Our exports in a good year are balanced by imports in a bad year. When it came to the question of actual consumption, we admitted, as almost every other province admitted, that we were not in a position to give really valuable statistical information.

11473. *Q.* Your opinion is that you just really have enough food for your own consumption?

A. That is right.

11474. *Q.* You have a large coal industry in your own province?

A. Yes.

11475. *Q.* You do not desire to protect that?

A. The Government of Bihar and Orissa see no reason why it should be protected.

11476. *Q.* They proposed to charge a cess of eight annas or so the other day?

A. The matter was raised by a private member in the Legislative Council and Government are certainly considering whether some form of taxation on coal raisings could not be imposed.

11477. *Q.* But I think that you are not in favour of differentiation against different coals?

A. The tax would be comparatively trifling.

11478. *Q.* We have heard a great deal about hides and I notice that your Government is one of the witnesses who like this export tax on hides. Have you any figures or facts to show in what way the present export tax has benefited your province?

A. I must confess that it has not been examined on a statistical basis or on the examination of the effects of the present export tax.

11479. *Q.* You don't care to be taken through this in detail?

A. It was simply thrown out as distinguishing hides from foodstuffs from the point of view of an export duty. I think that I have developed later on that hides are a by-product and are not stimulated by prices outside, whereas the production of foodstuffs is stimulated by high prices.

11480. *Q.* Would you be in favour of the eventuality of foreign capital coming to India? You say in reply to question No. 16 that it is extremely likely that British and foreign firms will establish themselves in India to obtain the benefit of any tariff which is imposed. Your Government would be in favour of that?

A. Yes.

11481. *Q.* On the ground that there is deficiency of capital in India.

A. The grounds are given that India still requires the experience and enterprise of nationals of other countries to help her to establish her industries and to train her own population in them.

11482. *Q.* On general grounds your Government would not commit themselves to the statement that there would be room for everybody.

A. I don't think they have looked at it from that point of view.

11483. *Mr. Narottam Morarjee.*—*Q.* In reply to Question No. 4 you say that it would undoubtedly benefit the Bihar agriculturists if the home market for sugar were secured against foreign competition. Will you please give us some idea as to how this is to be done? I take it that the effect of a fairly considerable import duty on sugar would perhaps not quite secure but at any rate nearly secure the home market for the home producer. Would you like to give a sort of protection?

A. Yes.

11484. *Q.* You are not opposed to giving protection to the iron and steel industry in Bihar and Orissa?

A. No. The Government of Bihar and Orissa have looked at this question from their own point of view.

11485. *Mr. Coyajee.*—*Q.* The opposition to the export of foodstuffs from Bihar and Orissa must be of recent origin due to rise in prices?

A. Are you speaking now of the export from the province or export from India?

11486. *Q.* First export from the province. Is there any opposition to that?

A. Yes, there are certain people who have put forward resolutions to be moved in our Council to the effect that no export should take place from the province. There are others who put forward suggestions that restrictions should

be imposed on the export of foodstuffs from certain districts.

11487. *President.*—*Q.* Even within the province?

A. Yes.

11488. *Mr. Coyajee.*—*Q.* You say in a normal year that the Bihar and Orissa province has been exporting foodstuffs to the other provinces of India. That means there was no opposition in those days. Now that prices have gone up, there is opposition.

A. I take it that the export could still go on even though there was a certain amount of feeling against it.

11489. *Q.* As regards the restrictins on the export of grains among the arguments placed before this Commission it is alleged that the smaller agriculturists are not benefited by high prices because the benefit of these high prices goes to the middleman. What is your experience in this matter?

A. I am now speaking in my private capacity. My own idea is that up to recently there is a good deal in what you say. As you say, the middleman has intercepted but I think that the interception is getting less and less mainly by the growth of Co-operative Societies.

11490. *Q.* It has been argued that there is no surplus of food grains in India to export.

A. It is very difficult to answer that question. If you say that if everybody had enough to eat, there would be much to export. I should say that that is not true. There would still be some surplus available.

11491. *Q.* Professor Hamilton has argued before us that the cultivating class is at present under-taxed. He says that the land revenue has not gone up to the same extent as other revenue and that the agriculturist is relatively under-taxed. Is there any truth in that allegation?

A. It is very difficult to say. 50 years ago, he was relatively overtaxed. I think now he is certainly beginning to be under-taxed.

11492. *Mr. Rhodes.*—*Q.* In answer to Question No. 17 you say that there must be a Standing Commission to advise the Government of India and that the Ministers in charge of Industries in the various Provinces should certainly be members of it. Do you think that these Ministers would be really qualified from their training and experience?

A. I would rather not answer that question.

11493. *Q.* Well, the Ministers would have a great many departments besides industries under them.

A. Yes. What I think about it is that you must have a representative of the province of considerable standing. You must have somebody who puts the case for the province and I think certainly you want one representative who will put the case on the industries side?

11494. *Q.* Then, you will have rather an unwieldy committee.

A. Yes, I am afraid so.

11495. *Q.* There will also be representatives of the Government of India?

A. Yes. Here again it is merely a suggestion thrown out for the Commission, and I don't think that the Government have really worked out any scheme.

11496. *Q.* I quite appreciate that. Your point is that the provincial Government must have a say. Could not that say be in the form of a representation to your Standing Committee or must it have a direct representative?

A. That is a possible alternative.

11497. *Q.* That would be a practical way of meeting my difficulty?

A. Yes.

11498. *Q.* You want a small business-like Committee?

A. Yes.

11499. *Mr. Mant.*—*Q.* I gather from what you said to Sir Edgar Holberton that you have side tracked the question of the export tax on hides. Your Government definitely recommends it in paragraph 9. I must ask you whether they had considered it from the point of view of the agriculturists. When the Government of India put on this export tax, they had two objects in view, one was the encouragement of the tanning industry in India and the other was the preservation of the tanning to the Empire by levying a lower tax on hides exported to the Empire. I do not think that it was ever contemplated that the whole output in India could be manufactured in India and we have been told by the experts who have come before us that there is no possibility of that being done. We have also been told that the hides are now rotting in the fields and not being collected, as the Collector gets very much lower prices. I want to ask you whether your Government has considered the matter from that point of view?

A. I must say that the view put forward here is *a priori* view and that certainly the Government of Bihar and Orissa have not yet had an opportunity of viewing the thing statistically as I understand that the Commission has now had. I am not sure whether they would not modify their views on the evidence before them. This is all I can say.

11500. *Q.* In paragraph 13 you say that the Governor in Council doubts whether the principle of Imperial Preference is one which in the long run makes for the solidarity and stability of the British Empire. Is that also *a priori* view?

A. I think that this is a point that has been debated up and down for the last 20 years and the Members of the Government including the Minister in charge of Industries definitely hold that view that it is still doubtful whether it is advantageous to the Empire to have Imperial Preference.

11501. *Q.* This is only from the general point of view?

A. Yes.

11502. *Q.* It has no special reference to India?

A. No.

11503. *Mr. Jamnadas Dwarkadas.*—*Q.* You say that there is room for the development of the chemical industry.

A. Yes.

11504. *Q.* Then you observe that it is exceedingly doubtful whether protection for that industry will not, by raising prices of chemical products of first class importance to other industries, strangle as much productive energy as it calls out in the chemical industry itself. Do I understand you to mean that you don't advocate protection to the chemical industry?

A. That is the intention. In order to develop the chemical industry, other means ought to be adopted.

11505. *Q.* But do you think that even if you protect the chemical industry by imposing an import duty on imported chemicals it would seriously hamper other industries?

A. That is the view of the Government of Bihar and Orissa.

11506. *Q.* You know that during the war prices of chemicals went very high. Do you know that in spite of that, the industries were not at all seriously hampered?

A. I am afraid I have no information either confirming or disagreeing with your views.

11507. *Q.* If an import duty was imposed, there is no likelihood of the prices reaching the level that they did during the war?

A. I don't think that that would follow even admitting your contention.

11508. *The Honourable Sir Maneckjee Dadabhoy.*—*Q.* Your Government generally objects to a policy of protection because it considers it a danger to the world's peace and then in answer to the President, you said that one had to look to the balancing of advantages. Let me put a plain question. Would your Government attach greater importance to the contentment of your people and the economic progress of your people or to the world's peace?

A. It is rather difficult to answer. I think I may say clearly that if the Government of Bihar and Orissa could foresee evident advantages from pursuing a general policy of protection, they would run the risk of danger to the world's peace.

11509. *Q.* You would attach greater importance to the internal peace?

A. If the advantages were evident and very considerable.

11510. *Q.* Do you think that really as a unit of the Indian Government, your Government is at all called upon to be mindful of the world's peace?

A. Yes.

11511. *Q.* Don't you think that the Indian Government might leave this question to the Imperial Government?

A. Every Government, and every individual has got to take this into his consideration?

11512. *Q.* The apprehended results which your Government anticipates have not followed in any other country from a policy of protection?

A. I think there is a good deal of international friction. The friction which went on for 20 years prior to the war was due partly to the protective policy.

11513. *Q.* You also state that this protective policy without doubt involves serious danger to political morality?

A. Yes.

11514. *Q.* We heard Professor Jevons in Cawnpore, a great authority on economics and he told us that the policy of protection would build up the character of the nation and make it politically fit and place it in a much better and more advantageous position. Would you be surprised to hear that?

A. I don't know Professor Jevons.

11515. *Q.* In answer to Question No. 3 you state that agriculture in your province is mainly directed towards the production of foodstuffs, in which it is normally in a position to feed itself with but little margin for export and yet later on in paragraph 12 your Government objects to export duties on food grains. How do you reconcile the two positions?

A. In years of plentiful harvest it can be profitably exported to the benefit of the agriculturists.

11516. *Q.* If there is a surplus to export, why do you differentiate monopoly articles like jute, mica, etc.? Your Government would not in other cases recommend an export tax.

A. I think that this point of view has been explained that a freedom to export a commodity like foodstuffs does definitely stimulate production, that is where I distinguish it from other commodities.

In the case of export duties on things in which you have a monopoly, you can throw the duty on to the consumer in foreign countries. It may be, from the world's standpoint, of doubtful morality, but at any rate it is good business. In the case of rice you cannot throw it on to the consumer in foreign countries, because you have no monopoly.

11517. *Q.* Why do you object to an import duty on foreign goods? I think the coal industry in your province is a very important industry. It is only laterly that it has been doing well, but before the war it was not doing very well. Would you not protect your coal industry against foreign countries?

A. The coal industry can hardly be called an infant industry. Another reason is that coal is so essential for an advance in industries that it is important to get the cheapest coal you can.

11518. *Q.* Then, on the whole I understand that your Government is in favour of a policy of limited protection?

A. They say towards the end: "The introduction of protective duties should be made with great caution, and the industry that seeks such a protection should be called upon to make its case most adequately."

11519. *Q.* If the case is established for any particular industry, your Government has no objection to give protection to it?

A. They are not rigid free traders in fact.

Witness No. 76.

The Indian Jute Mills' Association.

Written statement No. 14-D., dated Calcutta, 12th January 1922.

I have the honour to refer to your letter No. 48, dated the 14th October 1921, forwarding a list of the questions prepared for witnesses giving written evidence to the Indian Fiscal Commission. You request an expression of the views of this Association on such of the points as they may wish to deal with, and I am now directed to submit these.

11520. *Q.* 2. I am, at the outset, to invite the attention of the Commission to the attached copy of a report which was prepared in 1917, and which gives the views then formulated by the Association on the subject of trade after the war; I am to take this opportunity of confirming the views expressed in the report, and to ask that it should be read along with this letter. And I am to emphasise the point made in it, that in the opinion of this Association it is essential to bear in mind, when considering the possible effects of future fiscal policy on the jute industry, that jute is only a conditional monopoly, the condition being the price. On general principles this Association would be disposed to prefer a free trade policy, but in the light of actual circumstances it is necessary to qualify this general statement on the lines indicated in the report. And it should be added (*a*) that the Association do not object to the imposition of moderate customs duties for the primary purpose of obtaining revenue, and (*b*) that speaking broadly they consider that a moderate tariff provides a more suitable form of taxation for India than direct taxation does. With regard to Question No. 3, the Association do not venture to put forward any suggestions, as they consider that the subject matter of the question would require to be examined in great detail, and for this purpose they think it would be necessary to appoint a commission of experts who would, in consultation with the interests involved, have to consider the circumstances of each article in the list with a view to recommending whether it could stand, without prejudice, an increase in the tariff rate. The Association agree that the principles on which the Indian tariff is now based are in general terms equitable, differentiating, as these do, between necessaries and luxuries.

Questionnaire: Questions 1—4.

11521. *Q.* 3. I am now to refer to Question No. 5, which asks an expression of opinion as to the effect which the existing tariff policy has had on Indian industries in the past, and what effects a continuance of this policy in the future may be expected to produce. The Association find it a matter of some difficulty to answer these questions with certainty. There are so many factors to be taken into account that it is a matter of extreme difficulty to isolate one factor and to judge its effect on a particular industry. But from the point of view of the industry which they represent, the Association think it may fairly be inferred that the pre-war tariff policy of the Government of India was not prejudicial to their interests. It should be explained that the jute powerloom manufacturing industry was created during the first half of last century in the United Kingdom, where it was fostered and developed by British capital. Years elapsed before powerdriven machinery was introduced into India for the spinning and weaving of jute, but in spite of this handicap the industry has developed in India practically as fast as the necessary supplies of machinery and labour could be secured, until now the bulk of India's raw material is consumed in the jute mills of Bengal and exported to all parts of the world in the shape of cloth and bags. It is not necessary to quote detailed statistics in this connection, but the following figures show that the proportion of the total jute crop manufactured in India showed a steady rise until 1917:—

Questions 5—8.

Crop.	Percentage of the crop consumed by Indian mills. (Per cent.
1893—97 (average) ...	... 31
1898—1902 „ ...	... 39
1903—1907 „ ...	... 42
1908—1912 „ ...	... 47
1913 ...	... 49
1914 ...	... 59
1915 ...	... 61
1916 ...	... 63
1917 ...	... 71
1918 ...	... 65
1919 ...	... 57
1920 ...	... 66

Export duties on jute, and on jute manufactures, were introduced in 1916, but it is not possible to connect the trend of the figures since then with the imposition of these duties. It may, however, be stated that thirty years ago the number of looms in the local jute mills was only 8,000, and the number of persons employed 64,000; there are now 41,000 looms, and 286,000 persons are employed. These figures and the percentage figures quoted above show quite clearly how enormously the jute manufacturing industry of Bengal has expanded, and remembering that the pre-war tariff policy of Government was to leave the industry alone, the Association are of the opinion that from their point of view it is desirable that a similar policy should be continued in the future.

Questions Nos. 6, 7 and 8 raise the question of excise duties on locally manufactured articles to balance import duties on imports of the same articles from abroad. Speaking as manufacturers the Association would not favour the imposition of such excise duties, although they find it quite possible to conceive that there may be particular instances where these might be expedient; they look on this, however, as a matter for investigation by the expert commission to which they have already referred.

11522. Q. 4. Turning now to the questions, from No. 9 onwards, relating to a protective tariff, the Association consider, as they have already stated, that the primary object of the tariff should be to raise revenue. But here again there may be cases where the tariff could be judiciously used to foster Indian industries; this principle has not, however, any application so far as the jute mill industry is concerned. The Association find it difficult to believe that any country can ever reasonably expect to be entirely self-supporting and independent of other countries in regard to their requirements of manufactured goods. And at the present stage of India's industrial development it is not, the Association think, possible to say more than that she can be self-contained only with regard to such goods as she is peculiarly fitted to manufacture. It would be a matter for the expert commission to investigate what industries might come in this category, and they should, the Association think, be guided by the principle that protection should not be used to establish industries likely to require continuous assistance. Subject to this consideration, the commission might reasonably grant special protection against foreign goods favoured by such measures as dumping, bounties, etc. Question 16 raises the question of hand industries and in this connection the Association would say that from their point of view, as powerloom manufacturers, they consider handloom manufacture is more or less out of date; but they have no special views regarding its maintenance and there possibly are certain fabrics which can be economically manufactured on handlooms.

Questions 9—16.

11523. Q. 5. Replying to Question No. 17, the Association think that the history of the world has shown that there always is the possibility of combination among protected manufacturers to maintain prices; and this is a risk which is necessarily incurred whenever protection is adopted. No doubt the adoption of protection would also lead to British and foreign industrial firms endeavouring to establish themselves in India to get the benefit of the tariff; but after all this would be only one among many factors, and the Association think there is every likelihood of such firms coming to this country in any case to reap the full benefit of the natural advantages of India. There are already many indications that considerable developments in this direction may be expected, and in this connection it is only necessary to consider the circumstances under which the jute mill industry itself has been established, and has progressed, in this country quite irrespective of tariff conditions. It has to be remembered that in countries like the United Kingdom the costs of production, including such items as wages, taxation, etc., have enormously increased within recent years, so that the tendency is all likely to be in the direction of manufacturers locating themselves in countries such as India where conditions are more favourable—a movement which is to be welcomed, assisting as it does in the industrial development of the country. Question No. 19 raises a point which hardly affects the jute manufacturing industry here as it is at present constituted, for jute mills produce a finished product, while there is of course no import of raw jute or yarns.

Questions 17—19.

11524. Q. 6. Question No. 20 can only be answered in somewhat general terms. It enquires whether, when an import duty is imposed, the whole or any part of it is ordinarily passed on to the consumer in a rise of price. Ordinarily the amount of the import duty is merged in working costs and might, or might not, be passed on to the consumer. Certainly in times of good demand, or when demand exceeds supply, the amount of the duty is thus passed on; but there are additional factors which at other times might prevent this. If the rise in price were brought about a consequence of the imposition of the duty, such might be expected to continue as long as the duty is maintained; but here again the consideration of other factors makes a definite reply a matter of some difficulty. The Association would be inclined to answer Question No. 22—whether an increase in price to the Indian consumer might be accepted for the sake of developing Indian industries - in the negative whether the protected article is, or is not, a necessary of life; for speaking generally the consumer should be regarded as of more importance than a particular industry. In Question No. 24 enquiry is made as to whether, if an increase in tariff rates led to an increase in the cost of living, such increase would be followed by a rise in wages or salary. The Association think that the industrial wage earner would get an increase in wages, but that this would pass to the agricultural worker only very slowly, and still more slowly to the middle classes. The latter form, it must be remembered, the bulk of the literate and thinking population, and any general application of protective principles followed by an upward trend in prices would probably result in considerable discontent; for this reason, if for no other, it would seem to be expedient to adopt a cautious policy.

Questions 20—29.

7. India being, as it is such a large exporting country, a general policy of protection would be antagonistic to its interests. For the effect of such a policy would be to protect the smaller, the less important, part at the expense of the greater, while other countries might resort to retaliation against India and refrain from purchasing her goods except such as are of the nature of monopolies. Then with regard to the question whether it would be to India's advantage to have a tariff which could be used as an instrument for bargaining with other countries, the Association would deprecate any idea of manipulating the tariff other than in a defensive way. Indeed, as long as it was felt in other countries that India would not be slow to utilise a tariff in this way, the need for bringing it into use in any particular case might not arise. The Association would refer, in this connection, to paragraph 1 (c) of the Report of 1917 which accompanies this letter; the following is there given as one of the conclusions at which they had arrived:—"That advantage should be "taken of the measures, and export duties imposed during the war, to create machinery which would be available for use against those countries which protect themselves against the jute manufactures of India, or of any other part of the British Empire." That is to say, defensive measures on the part of India would be considered in the case of such countries as were found to be taking more of India's raw jute than of her manufactured goods, and were ensuring this result by admitting the former free of duty, or at very low rate, while discriminating against the latter by high tariff rates.

8. To what extent retaliation on the part of India would be advisable in such cases would be a matter for determination by the expert commission. "The export duty on raw jute ought not to be a merely arbitrary imposition. On the contrary it should be levied in respect of each country on a scale in direct relation to the import duties levied by that country on jute goods. The greatest advantage attaching to such a duty would be that, if skilfully used, it would enable India to force down the duties levied by importing countries on British made goods; and there is no reason why the jute industry should forego this advantage." The Association need hardly point out that in the past Germany and Austria built up their manufacturing industries by taking their raw jute from India and imposing a high duty against India's, and the United Kingdom's, manufactured article. It is true that these countries have for the present been severely crippled by the war, but their policy is being imitated in other directions, and developments along these lines must be carefully watched, for the time may come when India finds it difficult to compete with other producers. At the same time it is necessary to distinguish the case of a country like the United States of America, where a large bag-making industry has been built up. Raw jute and cloth are admitted free, but a tariff is imposed against jute bags, and the question may be asked whether it is not considered desirable, in view of what has been stated above, that retaliation should be adopted in this case. The Association would not, however, be prepared to recommend this in view of the large trade done in the sale of cloth to the United States; and as long as that cloth is allowed entry free of duty it would not be expedient to suggest the imposition of a tariff on the raw material simply because there is discrimination against India's bags. With reference to Question No. 29 I am to say that, whether a policy of protection be adopted, or not, the Association would recommend the appointment of a commission, such as they have suggested, to make enquiries with a view to adjusting the tariff on scientific lines. This organisation should be a permanent one, and would, as part of its work, watch developments in different countries with protective policies besides of course

Para. 7 of the Report.

receiving and considering representations from affected industries.

11525. *Q.* 9. This brings the Association to the consideration of the question of export duties. Subject to what they have said above regarding the defensive use of the tariff, the Association's view is, as they have explained on general lines that the main object of duties should be the raising of revenue, and they think that export duties should be adopted only as a last resort. Admittedly a moderate export duty is not injurious to the jute trade. The current duties were imposed during the war at a time when conditions were altogether abnormal, and it is not possible to say to what extent the course of the trade in jute, either raw or manufactured, has been influenced by these. This fact remains, however, that whereas the Government estimate of the crop in the pre-war year 1914 was more than 100 lakhs of bales, in 1921 it is 40 lakhs only—a reduction attributable in great part to the want of demand from foreign consuming centres which has of course been reflected in the relatively smaller demand for the raw material and the relatively lower price paid to the ryot. It follows, from what has been stated above, that the Association do not consider it expedient, so far as jute is concerned, to impose an export duty on the raw material in order to encourage its retention in India; for the expansion of the jute mill industry in this country which has taken place in the past shows conclusively that a sound manufacturing industry can be established without the assistance of export duties on the raw material. And judging from the experience of what has recently happened in regard to jute, it is not thought that it would be of advantage to India to impose an export duty on food stuffs with a view to controlling their export and thereby lowering Indian prices and the cost of living. The whole tendency of such a policy would be to react on the ryot, who would reduce the area he puts under food crops.

Questions 30—34.

11526. *Q.* 10. Questions 35 to 42 inclusive relate specifically to the subject of Imperial preference, and generally speaking, the Association do not think there is any likelihood that the adoption of such a system would be to India's disadvantage. There is certainly a good deal to be said in favour of Imperial preference. Speaking from the standpoint of the jute mill industry, the industry undoubtedly owes its initiative and expansion in this country to British capital and enterprise, and it is not unreasonable to hold the view that on this account some concession might be allowed in return. The Association would therefore say that on broad grounds they would be prepared to support a policy of Imperial preference, but on the principle of reciprocity. This latter qualification is of importance. The United Kingdom allows the import of India's jute manufactures on the same basis as raw jute, but this principle is not observed uniformly throughout other countries in the Empire. For example, Canada admits free raw jute and unfinished jute cloth, but a tariff of 7½ per cent. is imposed on finished cloth and a tariff of 15 per cent. on jute bags.

Questions 35—42.

11527. *Q.* 11. With reference to section C of the questionnaire, dealing with manufactures, particulars have been given above—para. 3—of the number of looms in, and the amount of labour employed by, the jute mills in Bengal. To supplement these particulars it need only be added that this Association represents all these mills, and the present value of the mills may be taken as exceeding £40 millions sterling. As has already been indicated there are natural advantages for the industry in India, to which the expansion of the industry may be attributed. The Association would certainly answer both parts of Question No. 45 in the affirmative. During the war the jute mill industry here proved to be of the utmost importance to the Empire and the Allies, and under contract with the Secretary of State and the Government of India the mills supplied for war purposes, between the years 1915 and 1918, orders representing altogether 1,260 million bags and 678 million yards of cloth. That the industry is also of substantial importance to the economic prosperity of India is evident if a reference is made to its share of the export trade. In 1920-21 the exports of jute, raw and manufactured, represented no less than 29% of the value of the total exports of the country, the proportions being approximately 7% for raw jute and 22% for manufactured goods; in the case of Bengal, the two together accounted for 65% of the value of the total export trade in the same year, the proportions being 15% for raw jute and 50% for manufactured goods. In addition, account should be taken of the value of the Indian consumption of jute goods, which in 1920 exceeded Rs. 559 lakhs; in quantity this represented approximately one-seventh of the export trade. The organisation and equipment of the mills are on a very high standard—as high, probably, as in any other country, and the mills export their products to all parts of the world.

Questions 43—47.

11528. *Q.* 12. In Question No. 48 enquiry is made as to what foreign competition the industry has to meet in the Indian market and elsewhere, and as to the nature of such competition. With regard to the Indian market, I am to explain that as yet there is no competition to speak of. With regard to competition elsewhere, many other countries have now their own jute mills and work up for themselves the raw jute which they take from India; the United Kingdom, Italy, Japan, Spain, Austria, Germany, are all instances. But these mills compete in outside markets with Indian manufactures mainly in special classes of goods only, that is to say, the finer qualities, and there is little competition in standard goods. So far as the internal consumption of these countries is concerned, there is competition with Indian manufactures in the sense that if they did not themselves manufacture their requirements these would have to be obtained elsewhere, and potential markets for Indian made goods are thus not available. Similarly, as is explained in paragraph 8 above, the United States have, under the protection of their tariff against jute bags, built up an extensive bag-making industry, while Canada, by adopting the methods indicated in paragraph 10, has done the same. There is, however, another type of competition with jute manufactures which should be noted, namely, the increasing use, in different countries, of elevators for the storage of grain. This system is of course common in Canada, and more recently Australia, South Africa and India have been adopting it. It will be appreciated that the use of elevators necessarily means a diminution in the quantities of jute manufactured bags required as containers, and this point is one which should not be lost sight of when the future tariff policy of this country is under consideration. For, as already indicated, jute holds no absolute monopoly in the packing and wrapping trade but only a conditional monopoly, the condition being the price; and if the cost of jute made containers and wrappers is raised too high, substitutes and other means of transporting the world's produce will undoubtedly be forth coming. With reference to Question No. 49, it is not thought that, apart from their tariffs and the higher standard of skilled labour available in other countries operating jute mills, these countries have any special advantage over India.

Questions 48 and 49.

11529. *Q.* 13. With reference to Question No. 50, I am to say that the Association consider that the industry does not need protection because the natural advantages of the industry are so marked; and they have never suffered from dumping. Competition from other countries is accentuated by depressed exchanges in these countries only in so far as wages and other manufacturing expenses in such countries are concerned and as against this the higher price that they have to pay for their raw jute has to be considered. In any case any effect that depressed exchanges have is likely to be only temporary, and the Association do not think that any remedy need be contemplated. In reply to Question No. 56, the Association are emphatically of opinion that the industry has not received any benefit from the successive enhancements of the tariff beginning in 1916. If these have had any effect at all they can only have been harmful by increasing the cost of production. With reference to Question No. 57, the Association have explained above—paragraph 9—that since the current export duties were instituted conditions have been altogether abnormal, and that it is not possible to say to what extent the course of the trade has been influenced by these. But it is reasonable to assume that the imposition of the export duty has increased to the consumer the cost of the manufactured article, and this being so the tendency will naturally be to reduce consumption: for when prices are high a bag which would otherwise be used only once is made use of twice.

Questions 50—57.

11530. *Q.* 14. Question No. 58 asks if the finished product of the industry is used as a raw material for any other industry, and I am to explain that it is used as a backing for linoleum, and as a substitute for wall paper; it is also used in the tailoring trade to some extent as a padding, and in the furnishing trade as an inside covering. In this connection, the Association would invite

Questions 58—60.

attention to the following extract from a recent issue of the *Dundee Prices Current*:—

Linoleum Competition.—Prior to the war, when burlaps were comparatively cheaper, there was very little floor covering sold in America except that manufactured on the jute burlap back. Occasioned by the conditions arising from the war, first the difficulty of obtaining burlap and the increasing price each year, and finally the inability to secure burlap at all for a while, had the effect of tremendously increasing the manufacture and sale of floor coverings manufactured from saturated roofing felt. This article, sold under the trade names of Congoleum, Feltoleum Feltolin, etc., has had a very wide distribution and has, because of the high prices of article going into the manufacture of linoleum such as burlap, linseed oil and cork waste, been offered to the public at a price much lower than the price of burlap back linoleum.

The reply to Question No. 59 is that the jute industry does not, to any extent, use as its raw material the finished product of any other industry. With reference to Question No. 60, the Association have already explained that in their opinion the primary object of the tariff should be to raise revenue, and that they do not regard with favour general system of protection, although there may be cases where the tariff could be judiciously used to foster particular industries.

11531. *Q.* 15. Section D deals with the export trade and members of the Association are exporters of jute bags and cloth, and of jute yarn to a small extent. They need not, however, deal with this section in any detail, as they have already covered most of the ground. Both as manufacturers and as exporters they would recommend the abolition of the existing export duties on their manufactures. Question No. 64 has been already dealt with, and in regard to Questions Nos. 65 and 66 the Association would say that they do not think the export of their product has been, or would be, stimulated by a preferential rate granted by the United Kingdom or any of the Dominions or Colonies. In reply to Question No. 67, the Association consider that no foreign country could penalise the Indian export trade to it to any extent without injury to itself; it might of course do so at the cost of injury to itself, and the export of India's manufactures to it would correspondingly suffer. And—Questions Nos. 68 and 69—if owing to a system of Imperial preference the imports from certain foreign countries diminished, their purchasing power would of course be lowered. The Association do not, however, think that this would immediately and seriously affect the manufactures in which the industry they represent is interested; but if and when the purchase of jute manufactured goods were affected, there might be no alternative outlet for them.

Questions 61—69.

11532. *Q.* 16. The Association will deal very briefly with section E of the questionnaire, being that relating to the import trade. The jute mills import machinery, mill stores and furnishings, oil, etc. Machinery and stores mostly come from the United Kingdom, and oil from the United States. It is not possible to say to what extent the trade in these articles has been affected by the changes in the rates of import duty which have taken place since 1916; for the abnormal conditions have obscured the position. An appreciable increase in the present tariff rates would be likely to diminish the volume of imports in so far as the local manufacture of the articles affected would be stimulated. And, so far as the requirements of the jute mills are concerned, a preference to British goods would not very materially affect the industry as the bulk of their machinery and stores already comes from the United Kingdom, and imports of batching oil would probably still continue to come from the United States of America; any variation of the tariff that was at all within reason would probably not much affect the imports in either case. With regard to Question No. 74, it would not seem reasonable that the same preference on the same goods should be granted to all constituent parts of the Empire; on the contrary, the principle of reciprocity should be observed here, and every country should be treated in accordance with the treatment it is prepared to give to India. The Association do not make any suggestions with regard to the queries in Question No. 77, for these would, they think, have to be examined by experts. And with reference to Question No. 78, it is considered that, generally speaking, *ad valorem* customs duties are more satisfactory than specific duties, although there may be cases where the latter system is preferable.

Questions 70—78.

17. In conclusion, I am to say that Mr. D. P. McKenzie M.L.C., the Chairman of the Association, is prepared if required, to give oral evidence to the Commission.

INDIAN JUTE MILLS' ASSOCIATION.

20, STRAND ROAD.

Calcutta, 18th June 1917.

Circular No. 134-D.

To

(ALL MEMBERS OF THE ASSOCIATION).

DEAR SIRS,

Trade after the War.

I am directed to refer to the special general meeting of members of the Association held on 26th February last in connection with the above matter. At the meeting the question was referred back to the Committee for enquiry and report. The Committee have exhaustively considered the subject in all its bearings, and they have now completed their report on it. A copy of the report is attached hereto, marked "A". I am directed to ask you to be good enough to consider it and to let me know as soon as possible whether you approve of its terms. If the report is generally approved the Committee will send it to the other jute Associations affiliated to the Bengal Chamber of Commerce, and if they agree with its terms the Committee will forward it to the Chamber as expressing the views of jute interests here on the question of the policy which should be adopted with regard to the jute trade after the war.

2. In the proceedings of the meeting of Committee held on 21st May reference was made to a letter of 10th April received from Chamber of Commerce, Dundee, and to a memorial forwarded therewith. It was then arranged to issue copies of the memorial for the information of members when submitting copies of the Committee's report, and the following papers are accordingly also attached, marked "B":—

(*a*) Letter of 10th April 1917 from the Dundee Chamber of Commerce to the Association.
(*b*) Letter of 13th October 1916 from the Dundee Chamber to the Bengal Chamber.
(*c*) Memorial by the Dundee Chamber and the London Jute Association.

Yours faithfully,
D. K. CUNNISON,
Assistant Secretary.

ANNEXURE A.

11533. Report of the Committee of the Association on the subject of trade after the war.

In considering the question of the commercial policy to be adopted after the war in respect of the jute trade, the Committee have had before them the letter No. 11900-C., dated Delhi, the 5th December 1916, from the Government of India to all local Governments, copies of which, and of the relative memoranda, form the enclosure to Bengal Chamber of Commerce circular No. 65, dated the 30th January 1917.

2. In the letter quoted the Government of India point out that the question of the treatment of imports and exports raises the whole subject of preferential and protective tariffs. They do not, however, invite discussion as to the principles on which a tariff should be based. They think that for practical purposes the best method will be to proceed by examining the cases of certain specified items of trade, and in connection with each of these to consider how far, if at all, protective measures are called for in the economic interests of India, and how far any restrictive measures suggested on national grounds will conflict with those interests. The Government also put the two following enquiries with reference to each of the specified items of trade of which jute is one, namely:—

(*a*) Whether the adoption of any special measures, such as the imposition of export duties, or the restriction of exports in any other way is likely to tend to secure any material advantage either to India or to the British Empire as a whole, for example, by enabling them

to retain a larger share of profits arising out of industries connected with the commodities in question; and

(*b*) If so, what form such measures should take, and what would be their probable effect.

3. Before proceeding to examine these two enquiries it is advisable to define the position in regard to jute. And in this connection the Committee quote the following paragraph, from the jute memorandum attached to the Government of India letter, as being a brief and accurate summary of the leading features of the situation:—

> "It need hardly be added that jute differs from practically all our other important exports in that India possesses a monopoly of supply. Until therefore a substitute is found which is capable of competing in price and quality with jute or until the use of alternative methods of carrying goods, such as handling in bulk, is greatly increased, it is difficult to see how India's favourable position in the supply of the raw material can be adversely affected. During a certain period of the war, when the price of cotton was abnormally low and jute difficult to obtain it is understood that there was a certain degree of substitution of cotton for jute bags in part of the United States of America and elsewhere, but, given normal conditions, any considerable competition between cotton and jute in the manufacture of bags seems improbable. There is little information at present available on the substitutes for jute (*e.g.*, textilose, paper fibre, etc.), employed in Germany since the outbreak of the war, and what information there is, has already been placed at the disposal of the Calcutta jute interests. It is, of course, for consideration, how far any measures that may be taken as part of our *post-bellum* policy may either (*a*) lower the price of jute to the cultivator to an extent detrimental to the cultivation of the crop or (*b*) raise the price in foreign markets to an extent which will render the danger of substitutes a real one."

4. The jute interests of the United Kingdom have expressed the opinion that an export duty of £5 per ton would not interfere in any way with the carrying on of the jute trade, for the reason that no country is so situated in regard to soil, climate, water and labour as to be able to compete with India in the raising of jute. They point out also that although during recent years, in ordinary trade conditions, prices have fluctuated between £12 and £36 per ton, the consumption has rapidly increased and no successfully competing fibre has been found. To this view of the situation the Committee cannot give unqualified acceptance. They admit that at the present time India possesses a monopoly of the supply of jute. But they are bound to recognise that elsewhere there are produced several other fibres and materials which may eventually compete with jute in the manufacture of comparatively cheap packing and wrapping materials.

5. Various factors have contributed to the establishment of jute in the position that it now holds, chief among them being undoubtedly the cheap labour which has enabled the Bengali *ryot* so far to supply all demands for the raw material at rates sufficiently low to preclude competition. There is evidence, however, that the conditions which have favoured jute are gradually changing. The rapid expansion of the past few years has been possible only by the employment of outside labour; and if the increase is to be continued it will necessitate further demands for labour, the cost of which is steadily increasing. Mr. Finlow, the Fibre Expert to the Governments of Bengal and Assam has stated that "every year large numbers of coolies migrate eastwards from the overcrowded districts of Bihar and the United Provinces, more especially to the jute-growing districts of northern Bengal. The supply of such labour, however, is not only limited, but it is expensive and, through lack of experience, often inefficient. The result is an inevitable rise in the cost of production of jute as well as a deterioration in the quality of the fibre obtained." If the industrial development of India is to be speeded up in the near future labour will become still scarcer and dearer; and there is every likelihood of yet higher prices having to be paid to the *ryots* to induce them to go on increasing the area under jute.

6. The argument used, or implied, by the jute interest of the United Kingdom is that jute, being an absolute monopoly of India, and being also a commodity essential in the carrying trade of the world, an advance in price need not occasion any concern to producers and manufacturers. For the past history of the fibre shows according to this view—that a great and permanent advance in price has failed to bring any competitive fibre into existence; and that there is no reason to apprehend any different result from a still higher range of prices. There is of course much to be said for this argument, but the Committee do not find it to be altogether convincing. They take the view that there must be a limit to the price, and that when that limit has been reached competitive substitutes will come into use. In other words, they do not consider the monopoly to be absolute, but conditional, the condition being the price. They would not therefore make an absolute increase in the price in markets outside India, as the proposed export duty would do, more especially as prices in India are, as they have shown rising from unavoidable causes. They would make the artificial increase conditional, the condition being the range of taxation levied by the importing country on jute goods manufactured within the British Empire.

7. Heavy taxation is levied by most countries—not even excepting British possessions—upon jute manufactured goods, while these same countries admit raw jute free. Some of them also differentiate between cloth and bags; and by imposing high duties on the latter they are building up bag-making Industries which, in the absence of such duties, could not live against Indian competition. Until recent years far more bags than cloth were exported from India; but owing to these differential tariffs in consuming countries this is no longer the case. In these circumstances it would seem to be highly unreasonable, and quite unnecessary, to give—without any return consideration—to certain of these countries a rebate on any export duty that may be imposed by India on raw jute. Yet this is apparently the proposal which is made by the jute interests of the United Kingdom. Surely a condition precedent to any such rebate should be a corresponding reduction in the import duties levied by any particular country on British-made jute goods. There should be no question of giving something for nothing. The export duty on raw jute ought not to be a merely arbitrary imposition. On the contrary it should be levied in respect of each country on a scale in direct relation to the import duties levied by that country on jute goods. The greatest advantage attaching to such a duty would be that, if skilfully used, it would enable India to force down the duties levied by importing countries on British-made goods; and there is no reason why the jute industry should forego this advantage. So far as the enemy countries are concerned special additional duties could be levied against them if such should be considered to be advisable.

8. It may be argued that the Indian manufacturer does not need any protection; and that the tendency to lower prices for his raw material which export duties may be expected to bring about is of no great importance to him. It is of course true that the Indian mills have found ready markets for their goods, and that the industry has developed as rapidly here as could be expected, in view of the difficulty of securing the necessary machinery, and of training the required labour. But it must not be forgotten that the jute industry of the United Kingdom has not maintained its position in comparison with foreign countries. During the ten years ended 31st March 1879 the United Kingdom took over 80 per cent. of the exports of raw jute from India, but during the decennium 1900-09 she took only 40 per cent. of the exports. These are significant figures. They mean that the increasing exports of free jute to those foreign countries that have protected their manufactures against competition have prevented any material expansion of the industry in the United Kingdom during the past forty years, so far at least as the weight of raw material consumed is concerned. One of the principal markets lost to the United Kingdom is that of Germany. Under the trade conditions prevailing before the war there was nothing to prevent other countries following the example, set by Germany, of taking their raw material duty-free from India, and converting it into the manufactured article—for at least internal consumption—under the protection of high import duties. And what has been said above with reference to the bag-making industry of foreign countries shows that the German example was being followed. It seems therefore to the Committee to be essential that both India and the United Kingdom should protect themselves against discriminating

tariffs in other countries. But they fail to see how this protection would be afforded by a simple export duty, which would be remitted in whole or in part to certain countries, quite irrespective of whether such countries do, or do not, tax British-made goods.

9. It must not be supposed that the Committee are not fully alive to the difficulties of exporting jute subject to differential export duties. But similar difficulties would arise under the rebate system, whereby discrimination would be exercised as between the British Empire, the allies, the neutrals, and the enemy powers. It has, however, to be remembered in this connection that obstacles which appear formidable when viewed only in the light of pre-war knowledge and experience are seen now to be no longer insurmountable. Already Government machinery has been created to control exports, and to regulate their use. Jute and jute goods are now sold in allied and neutral countries subject to the condition that the purchaser will not export them, except as the British Government may from time to time permit and that he will re-sell only to those who will accept and hold the merchandise on the same conditions. Restrictions on trade which are considered to be essential during the war may not of course be possible, or advisable, afterwards. But there seems to be no reason why the special measures now in force for the protection of British trade should not be continued during the reconstruction period, or until such time as they are adapted to the permanent policy of the Empire. By means of these measures and of appropriate export duties it would be possible to retaliate effectively against foreign countries imposing import duties on jute or jute goods. There are already in existence export duties which could be adjusted as required keeping in view the desirability of reducing to the lowest possible limit those on jute goods, and at the same time increasing those on raw jute to the extent necessary to protect the manufactures and interests of the Empire.

10. The Committee submit these notes after careful enquiry and consideration, during which they have had the opportunity of discussing the whole question with the Chairmen of the other Associations interested in the jute trade. Their conclusions from which their replies to the wo enquiries specified in paragraph 2 will be apparent—may be summarised as follows:—

(*a*) That jute is not an absolute monopoly of India but a conditional monopoly, the chief condition being the price;

(*b*) that the possibility of substitutes being found, and of other methods of carrying goods being introduced, cannot be prudently ignored; and

(*c*) That advantage should be taken of the measures, and export duties imposed during the war, to create machinery which would be available for use against those countries which protect themselves against the jute manufactures of India, or of any other part of the British Empire.

11534. ANNEXURE B.

(*a*) Dated Dundee, the 10th April 1917.

From—The SECRETARY, Dundee Chamber of Commerce,

To—The SECRETARY, Indian Jute Mills' Association.

My directors have had the advantage of perusing a copy of the report of the meeting of your Association held on the 26th February, at which the position of the jute trade after the war was discussed.

They observe that no mention was made of the memorial on this subject drawn up by the Dundee Chamber of Commerce and the London Jute Association, and mailed to the Secretary of the Bengal Chamber of Commerce on 13th October last.

The memorial was sent to the Bengal Chamber of Commerce because the Chamber was considered the proper channel through which such a document ought to pass, and it was assumed that in due course it would be passed on by them to the interested associations affiliated to the Chamber. It would appear, however, that has not been done, and a copy is, therefore, now enclosed to you.

I am instructed to say that the object in sending this memorial to India was to ascertain the opinion, and if possible to secure the support of your Association, so that as a united trade, we might approach the Secretary of State for India in London, and press for legislation in the direction indicated. It is quite evident the Government will deal with jute as with other raw materials of the Empire in some form or other. Various Government Committees appointed for the purpose have already submitted their reports to the Cabinet, and these reports all tend in the same direction, *viz.*, towards enabling the Empire to extract from its raw materials the maximum benefit. Obviously, the trades concerned should themselves be the best guides of Government policy in such a direction, and hence the desire to get all the jute interests of the Empire on to common ground. With the support of the Bengal Chamber of Commerce, or preferably of your Association, as being more directly representative of the trade, it is felt that the strength of the case would be such that the Government could not refuse to act in accordance with the recommendations made.

The case of jute is more simple than that of any other raw material of the Empire. It can be shown that the proposed legislation cannot possibly decrease the consumption of jute goods throughout the world, but that it would merely change the channels through which part of the trade passes. It would certainly mean an extension of manufacturing within the Empire, and that apart from the handsome yearly contribution to the Indian Exchequer from foreign nations, a considerable portion of which revenue it ought to be possible to spend on the better propagation of the crop.

11535. (*b*) Dated Dundee, the 13th Oct 1916.

From—The SECRETARY, Dundee Chamber of Commerce,

To—The SECRETARY, Bengal Chamber of Commerce.

Jute Trade after the War.

At a largely attended meeting of the Dundee Chamber of Commerce held on 21st January, 1916, specially called to consider the resolutions on trade after the war to be brought before a meeting of the Association of Chambers of Commerce of the United Kingdom in London, the following resolution was brought forward, *viz*:—

> "That this meeting accord general approval to Mr. A. M. Samuels (Norwich) suggestions regarding trade regulations after the war, and recommend that the Associated Chambers of Commerce impress upon His Majesty's Government the desirableness of imposing a tax on all raw jute exported from India, with rebates to the British Empire and Allies."

An amendment which was proposed received only 5 votes and the motion was declared carried by an overwhelming majority.

Since then a special Committee of Directors and others have devoted attention to the consideration of the special question of the jute trade after the war in co-operation with a Committee of the London Jute Association. The result of these deliberations has been embodied in a Memorial on the subject signed by the President, Vice-President, and Secretary of this Chamber, and the Chairman, Vice-Chairman, and Secretary of the London Jute Association on behalf of these bodies. That Memorial is now enclosed with the hope that its tenor will meet your approval and support. The same memorial is being sent to the Indian Sub-Committee, Imperial Institute, London, and Sir Henry Holland's Commission now in India. I take the liberty of enclosing the latter with the request that you will be so good as to forward it to Sir Henry Holland.

In framing this Memorial careful consideration has been given to the various interests involved, producers, manufacturers, and distributors and to the minimum interference with the established business of those engaged in the various branches of the jute trade while keeping in view the main object of preserving to the British Empire the advantages of the monopoly of the jute industry which the Empire possesses.

The Committee attach the greatest importance to their being able to show that unanimity of opinion exists among all interested as to the regulations to be adopted by His Majesty's Government and the Government of India regarding the jute trade after the war between the Empire and its Allies and neutral countries. The framers of the Memorial therefore venture to hope that their

suggestions may be generally approved of by the Bengal Chamber of Commerce and that its important influence may be used with the Government of India and the Commercial Community interested in jute production and manufacture to bring about such legislative action as suggested in the Memorial.

11536. .(c) *Jute Trade after the War.*

A strong feeling has existed in many quarters for years that such an Empire monopoly as jute should be used for the better furtherance of the interests of the Empire. The war has sharpened opinion on this as on many other matters. The jute interests of the United Kingdom are unanimously of opinion that the time has come when full advantage should be taken of this unique situation, and they feel persuaded that opinion in India cannot be very different.

The fact that raw jute could be obtained by any country on equal terms with those on which the Indian and United Kingdom mills could purchase their supplies, has induced the building of mills in foreign countries, and the putting on of import tariffs to keep out Indian and United Kingdom jute manufactures. The true remedy for such a situation would seem, at first sight, to be the imposition of a tax on the raw material of an extent equal to that imposed by each foreign country on manufactured jute goods. But in practice that does not seem possible, nor does it now seem desirable. At this time of day to attempt to stamp out the manufacture of jute goods in these foreign countries, and to divert the trade to India and the United Kingdom seems out of the question, nor could India ever be asked to have its free market for raw material interfered with in such a drastic way. But what *can* be done is not only to make these foreign countries who own jute mills contribute handsomely to the Empire's Exchequer, but to ensure that while they will be enabled to carry on the industry so far as manufacturing for their own *bonâ fide* home trade requirements is concerned, they will be confined to that, and be unable to export to neutral markets. The same process would remove the inducement which exists in free raw material to the building of mills in countries which have not yet begun jute manufacturing and the expansion of the trade all are looking for in the future would thus directly benefit the Empire and the Empire's workers. The extent to which continental countries now manufacture jute goods for export does not seem to be fully appreciated. In this growing trade, largely bounty fed, lies a serious menace to the Empire's jute workers. Figures lately submitted by Dundee at the request of the Advisory Committee of the Board of Trade on the Textile Industries of the country prove the extent to which neutral markets are one by one being taken from us, and the Empire's jute being worked up by foreign labour, while the Empire's workers stand idly looking on.

A tax would on raw jute remove these anomalies, and the suggestion of the jute interests of the United Kingdom is that a tax of not less than £5 per ton be put on all raw jute leaving India with a surtax of 25% in the event of the shipments taking place in other than British bottoms —a rebate of the full amount of the tax to be made to consumers within the Empire, and no excise or countervailing duty to be paid by the Indian Mills, £5 per ton is not a sum that would interfere in any way with the carrying of the jute trade. No country is so situated in regard to soil, climate, water, and labour, as to be ever able to compete with India in the raising of jute. The *c. i. f.* price of jute has fluctuated between £12 and £36 per ton in recent years in ordinary trade conditions and during the period covered by these fluctuations in price, consumption has rapidly increased, and no successfully competing fibre has been found. A duty of £5 per ton is almost in every case less than the minimum duty imposed on ordinary standard jute cloths entering foreign countries. The surtax is necessary because Austria and Italy granted preferential railway rates on jute passing into the interior provided that such jute was brought from India in Austrian or Italian vessels. Germany generally stipulated that the raw material should be shipped in German vessels, and up to the outbreak of war the Hansa Line held a monopoly in the direct shipments to Hamburg and Bremen, jute shipped to Germany *vid* London being penalised by extra port dues on arrival at destination.

It is impossible to recognise in the proposed legislation any possibility of the interests of India or the United Kingdom being harmed in any direction. On the contrary the benefits would be sure and immediate, and would consist of a large and continuous contribution to the Empire's Exchequer by foreign nations, and the extension of jute manufacturing both in India and the United Kingdom.

In regard to the collection of the tax, it is recognised that the simplest form of procedure is necessary, and the simplest plan would appear to be to tax all jute exported from India, and to grant Certificates proving payment. These certificates would form an essential part of the shipping documents. On arrival of the jute in the United Kingdom, the certificates would be endorsed or exchanged by the Customs authorities here for others certifying that the jute had been landed. These "Landed Warrants" would be equivalent to Demand Drafts on the Indian Treasury, payable in London, and would be cashed by any bank. Re-shipments of jute from the United Kingdom could be made as before except that the tax would require to be paid to the Custom House previous to shipment.

The question as to whether a rebate should be granted to our present allies may safely be left until the situation develops, and until the Government give some lead in that direction.

On behalf of the Dundee Chamber of Commerce,

(Sd.) WM. LOW,
President.

„ T. H. H. WALKER,
Vice-President.

„ GEO. C. KEILLER,
Secretary.

On behalf of the London Jute Association,

(Sd.) C. C. MCLEOD,
Chairman.

„ C. J. RITCHIE,
Vice-Chairman.

„ E. HENRY,
Secretary.

Oral evidence of Mr. D. P. McKENZIE, representing the Indian Jute Mills' Association, examined at Calcutta, on the 11th January 1922.

11537. *President.*—*Q.* You represent the Indian Jute Mills Association?

A. Yes.

11538. *Q.* You say that jute is a conditional monopoly, the condition being the price. Do you apprehend that substitutes would be found for jute, if the price of jute goes up?

A. There have been a large number of substitutes tried already, e.g., textilose, paper fibre, etc. There is always a danger, if jute is not kept at a lower price, of these substitutes being produced.

11539. *Q.* Equally serviceable in use?

A. Yes, equally serviceable, but it is not possible to push them at present on account of the high cost of producing them.

11540. *Q.* You say that on general principles your Association would be disposed to prefer a policy of free trade. Is that as affecting the jute trade only, or as a general fiscal policy for India?

A. That applies only to the jute trade.

11541. *Q.* Then, if you prefer a policy of free trade so far as it affects the jute trade, you would not mind other countries differentiating against manufactured jute and trying to establish that industry in their own countries.

A. No, no. We want to follow free trade, but we want protection in that case.

11542. *Q.* So, it is a qualified free trade?

A. Yes, to that extent.

11543. *Q.* The only way in which your industry can be affected is by other countries establishing a jute manufac-

turing industry by importing raw jute from India free and putting an import duty on manufactured jute. But you want protection against that. How does your free trade policy stand then?

A. Call it a fair trade policy. It is qualified to that extent.

11544. *Q.* In paragraph 2 you say that "you would recommend the appointment of a commission of experts who would, in consultation with the interests involved, have to consider the circumstances of each article in the list with a view to recommending whether it could stand, without prejudice, an increase in the tariff rate. Does this refer to a revenue tariff or a protective tariff?

A. It refers to a revenue tariff.

11545. *Q.* What would be your constitution of that commission of experts?

A. It will consist of business men, I suppose, with Government officials to represent the larger Government view.

11546. *Q.* You have no definite suggestions to make?

A. We have no definite suggestions to make.

11547. *Q.* In answer to Question Nos. 9-16, you say that the expert commission should be guided by the principle that protection should not be used to establish industries likely to require continuous assistance. Would you make an exception in the case of key industries?

A. "Key industries" is a big term.

11548. *Q.* Industries for the national safety and well being of India?

A. I would possibly make an exception.

11549. *Q.* In paragraph 8, you speak of retaliation, and you say. "The greatest advantage attaching to such a duty (meaning an export duty on raw jute) would be that, if skilfully used, it would enable India to force down the duties levied by importing countries on British-made goods; and there is no reason why the jute industry should forego this advantage." That would be another qualification of your free trade policy. Would it not?

A. Yes. We claim, we ought to have the power of retaliation.

11550. *Q.* That is to say, you should have fiscal freedom to enable you to take measures which may be called for in the circumstances of each case?

A. Quite so.

11551. *Q.* In paragraphs 8 and 12 of the Association written statement it is pointed out that Austria, Germany, Italy, Spain, etc., are all taking our raw jute free and are imposing a duty on manufactured jute in order to establish industries within their own countries. Do you approve of the policy adopted by these countries in regard to your trade? If not, what is your recommendation to Government?

A. Our recommendation is to have such a duty on the export of raw jute as to counteract the duties imposed on manufactured jute.

11552. *Q.* Do you think if the Government of India had fiscal freedom to determine in each case what is best in the interests of Indian trade and Indian industries, that those countries would pause before they spend capital in establishing large industries dependant entirely on the raw materials of a country with fiscal freedom?

A. I certainly think that there would be that tendency if we had the power of retaliating against heavy taxes against our manufactured goods.

11553. *Q.* Do you think it would be a legitimate policy for the Government of India to adopt?

A. Yes. Otherwise our mills would be handicapped.

11554. *Q.* In answer to Questions Nos. 35-42, it is stated that "The Association would therefore say that on broad grounds they would be prepared to support a policy of Imperial Preference, but on the principle of reciprocity. This latter qualification is of importance. The United Kingdom allows the import of India's jute manufactures on the same basis as raw jute, but this principle is not observed uniformly throughout other countries in the Empire. For example, Canada admits free raw jute and unfinished jute cloth, but a tariff of 7½ per cent. is imposed on finished cloth and a tariff of 15 per cent. on jute bags." I understand from this that your Association advocates a policy of reciprocity as between India and other parts of the British Empire, that is to say, entering into trade treaties under which the agreement is to the mutual advantage of both countries?

A. Exactly.

11555. *Q.* You would not advocate Imperial Preference if it was one-sided or if it involved economic loss to India?

A. Not at all. We do not say that it should injure India's interests.

11556. *Q.* Then I should like to know what benefits India would derive, so far as the jute trade is concerned, by means of these reciprocal agreements.

A. It would tend to restrict the imports from the foreign countries, which we have been speaking about, of manufactured jute. The main business of the foreign countries is to manufacture for their own requirements, but they also export the surplus.

11557. *Q.* Do they export to other parts of the British Empire?

A. The United States exports to Canada to some extent.

11558. *Q.* How is it possible for Germany, Austria, Japan or Italy to export to the British Dominions. They pay all the transport charges on raw jute, and how is it possible for them to export cheaper than India?

A. Germany and Austria did export before the war. I do not say it is a menace, but they did export to other countries.

11559. *Q.* Do you think then that reciprocal agreements with other parts of the British Empire on a basis of mutual advantage would be beneficial to the jute trade and jute industry?

A. Yes.

11560. *Q.* And the only way in which it could be done would be to prevent the other parts of the British Empire from importing from foreign countries who have established the jute manufacturing industry?

A. Quite so. They should not import from other countries which have a surplus produce to export.

11561. *Q.* Supposing Canada, Australia or South Africa want to establish a jute manufacturing industry by importing raw jute free from India and supplying foreign markets. Would you consider that beneficial to the jute industry of India under Empire reciprocity?

A. I think we are quite prepared on the whole to face any competition of that sort and to kill it.

11562. *Q.* You think it would be of great advantage to India's economic interests if the Government of India were to take fiscal measures for the purpose of preventing other countries from importing raw jute and starting competitive industries against yours?

A. Most certainly. The danger exists.

11563. *Q.* And take fiscal measures to protect your industry?

A. We are in favour of protection against such unfair discrimination against our manufactured goods.

11564. *Sir Maneekjee Dadabhoy.*—*Q.* I understand you to say that your Association is only for qualified free trade?

A. That is so. Along with free trade we talk about reciprocity, *i.e.*, we want fair trade and the means of punishing any one who discriminates against our manufactured goods.

11565. *Q.* And you are quite sure that your industry needs no protection of any kind?

A. No protection other than what we have mentioned. It has prospered so far, and we are quite prepared to leave it alone.

11566. *Q.* You are working short time at present?

A. Yes, four days against six.

11567. *Q.* What is the cause of that?

A. General upset in the world's conditions and over-expansion.

11568. *Q.* There has not been much demand for your goods?

A. We are meeting the fall in the demand with restriction in the hours of working.

11569. *Q.* Your short time working had the effect also of reducing the price of raw jute?

A. Naturally.

11570. *Q.* It also had the indirect effect of checking the production of raw jute?

A. Yes.

11571. *Q.* The agriculturists have taken to growing other crops in consequence?

A. Yes.

11572. *Q.* Do you apprehend any danger from that?

A. There is of course a temporary danger that when trade does improve it will take a little time for the *raiyat* to follow up with the increased production of jute that we shall then require.

11573. *Q.* Do you think that the *raiyat* will come back?

A. The history of the trade shows that as long as there is a demand for jute he is quite prepared to grow it. There is a temporary set-back, which we all know about, which has affected him to some extent, but that we do not anticipate to be a serious danger.

11574. *Q.* In paragraph 2 of the written statement it is stated that jute is only a conditional monopoly, the condition being the price. Would you explain that statement?

A. It refers to the possibility of substitutes being found. I do not say what the price is, but we have always before us the fact that substitutes for jute are in existence and so long as we supply our article cheap, they will not be used.

11575. *Q.* What substitutes?

A. There is textilose, there is the nettle fibre, and there is also cotton waste. Cotton waste was formerly looked upon as useless, but it has been put to use by Germany. There are also other fibres.

11576. *Q.* And what countries have adopted these substitutes already?

A. Germany during the war used them to some extent. They have been tested and tried, but they have not been used to a great extent.

11577. *Q.* Are the substitutes as cheap?

A. No. But there is a danger point. If you put up your price of jute, then that danger point will be reached.

11578. *Q.* The present duty would not help to reach that point?

A. We are quite prepared to see a revenue duty imposed.

11579. *Q.* Do you think that the duty is capable of further increase?

A. I do not say that substitutes would be produced if a further increase in duty takes place.

11580. *Q.* There is still a margin for increase in the duty?

A. We have indicated a danger. As long as a jute bag is cheap people are quite prepared to use it and throw it away after the first use, but we are encouraging the use of second-hand bags the moment we make it dear. Then, we have indicated the danger of the use of elevators.

11581. *Q.* What countries have adopted elevators?

A. Canada, Australia, South Africa and India.

11582. *Q.* Where is it used in India?

A. In the grain districts. I hear that one has been erected in Lyallpur.

11583. *Q.* Is it working?

A. I cannot say that.

11584. *Q.* Will these elevators reduce the demand for jute bags to a very considerable extent?

A. Yes.

11585. *President.*—*Q.* Is there greater wastage of grain in the use of elevators than in the use of bags?

A. I cannot say.

11586. *Q.* Has your Association gone into the question?

A. No.

11587. *Sir Maneckjee Dadabhoy.*—*Q.* You do not expect any other substitutes being resorted to in India for a very considerable time?

A. No. I do not.

11588. *Q.* In paragraph 3 you say: "From the point of view of the industry they represent, the Association think it may fairly be inferred, that the pre-war tariff policy of the Government of India was not prejudicial to their interests." There was no export duty then, and it was not prejudicial to your interests?

A. It was not prejudicial to our interests.

11589. *Q.* Was it conducive to the growth of the manufacturing industry in the country?

A. Yes.

11590. *Q.* But since the imposition of the duty, have more factories been started in India?

A. There are erections going on now.

11591. *Q.* How many?

A. There are six mills, but the natural expansion of the industry was interrupted by the prohibition on export of machinery from the United Kingdom during the war.

11592. *Q.* So, in your opinion the existing policy will not be detrimental to the manufacturing industry?

A. I should think so.

11593. *Q.* In paragraph 7 you say that "the effect of a general policy of protection would be to protect the smaller, the less important part at the expense of the greater, while other countries might resort to retaliation against India and refrain from purchasing her goods except such as are of the nature of monopolies." Can you throw some light on the scope of retaliation open to other countries?

A. I am afraid I cannot say very much on that point: it is a general statement.

11594. *Q.* In paragraph 9 you say: "Admittedly a moderate export duty is not injurious to the jute trade." I suppose that your Association has considered this question thoroughly. What would you call a moderate export duty?

A. I think the figures as we have them now. We would not like to see the present duty increased under the present circumstances.

11595. *Q.* Then, you refer to the falling off in the demand from foreign countries. Is this falling off due to the financial difficulties of those countries?

A. Yes.

11596. *Q.* And when normal conditions are restored, the danger you apprehend will be eliminated?

A. Yes.

11597. *Q.* In the same paragraph you say: "Judging from the experience of what has recently happened in regard to jute, it is not thought that it would be of advantage to India to impose an export duty on food stuffs, with a view to controlling their export and thereby lowering Indian prices and the cost of living." Are you aware that on several occasions although the export of wheat from India was totally prohibited, the prices did not go down to an appreciable extent?

A. It is only a fair assumption that an export duty on foodstuffs which would retain the material in the country is bound to reduce the price to the agriculturist. I do not say that it will reduce the price in a famine year, but it will reduce it in normal years.

11598. *Q.* In answer to Question No. 58, your Association say: "I am to explain that it is used as a backing for linoleum, and as a substitute for wall paper." This industry is practically absent in India?

A. Yes. We export for these purposes. There is no such industry in India.

11599. *Q.* In paragraph 15 your Association say: "Both as manufacturers and as exporters they would recommend the abolition of the existing export duties on their manufactures." Would you like the duty to be taken off jute yarn?

A. We export very little jute yarn: it is a very small item.

11600. *Q.* Can you give me some idea of the proportion of jute yarn to the whole exports?

A. It is under 1 per cent.

11601. *Q.* The duty won't make any difference?

A. No.

11602. *Mr. Mant*:—*Q.* Mr. McKenzie, you told the President just now that you want protection for the jute trade. I understand that you do not want protection in the ordinary sense of import duties?

A. I do not mean that at all. We do not advocate protection in the ordinarily accepted sense. We want to retaliate against the man who is punishing us. My protection is a defensive weapon.

11603. *Q.* You stand for free trade.

A. Yes.

11604. *Q.* I gather that you want to force free trade on the rest of the world?

A. We want to prevent others from raising tariff wall against us.

11605. *Q.* Is that a practical proposition?

A. You could do so as far as jute is concerned.

11606. *Q.* Is India economically in a position to fight the rest of the world in that respect?

A. If India is revising its fiscal policy, we (the jute trade) say that the means whereby we could safeguard our industry would be to tax the raw jute which is going to the countries who have been imposing duties on our manufactured goods.

11607. *Q.* Are you not embarking on rather a dangerous policy if you begin a tariff war? I take it that just as we are entitled to our free trade policy other countries are entitled to their policy of protection. If you want to force free trade on them, would you not be asking for trouble?

A. It may be so.

11608. *Q.* It seems to me that it is rather a difficult thing to do?

A. It may be difficult.

11609. *Q.* Do you propose to put a heavy duty on imports from those countries or do you merely propose to put an export duty on raw jute?

A. Our proposal is confined to jute.

11610. *Q.* You would not extend your retaliation to other things?

A. I am talking only for the jute trade.

11611. *Q.* You merely propose to retaliate by putting pressure on those countries by means of high export duties on raw jute. That is the extent of your retaliation?

A. Yes.

11612. *Q.* You would have differential duties against different countries?

A. That follows. It depends on the duty against us.

11613. *Q.* Would not that lead to practical difficulties? You cannot control the movements of jute after it has gone out of the country?

A. We controlled it during the war. We established a machinery for it at that time.

11614. *Q.* You would have to make special arrangement in times of peace. You have not got the war machinery now.

A. Of course.

11615. *Q.* I suppose, for instance, if you export a lot of raw jute to Holland you will have to prevent Holland from sending it to the United States.

A. The policy followed during the war was that the purchase had to guarantee to retain it for consumption in the country.

11616. *Q.* Are you going to take guarantees from all your foreign customers that they will not send raw jute to other countries?

A. Some such machinery would be required.

11617. *Q.* Would not there be a difficulty in devising the machinery and in checking the working of foreign customs?

A. Of course, it is a very vast question.

11618. *Q.* I am only working out the results of what you have proposed to do.

A. Quite true. But my reply is that this machinery was in existence for some time.

11619. *Q.* Would you not then have to recreate your war machinery?

A. That is so.

11620. *Q.* Would that not be a practical difficulty?

A. It is a difficulty, but not an impossibility.

11621. *Q.* Your position as regards export duties generally apart from retaliation, appears to be an export duty on raw jute and free export of the manufactured articles. In your paragraph 15 you recommend the abolition of the existing export duties on your manufactures. But you do not say anything about the export duties on raw jute. I should like to clear up the point whether you recommend the retention of that export duty.

A. No. We do not recommend the retention of it if we are in a position to get fair treatment from others.

11622. *Q.* Putting aside the question of retaliation altogether, in your paragraph 15 you only refer to the export duty on manufactured jute. I want to know whether you also recommend the abolition of the duty on raw jute. I only want to clear up the point whether you recommend the abolition of the duties on both the raw and the manufactured article.

A.—We have already said that we are quite prepared to see a small revenue tariff imposed on both.

11623. *Q.* So you are not actually asking there for any special advantage for your trade?

A. No.

11624. *Q.* You are not asking for the abolition of the duty on manufactures while retaining it on raw jute?

A. No. A small duty would not be harmful to our trade.

11625. *Q.* You said that Germany tried substitutes for jute during the war for making sand bags.

A. The best substitute was found to be paper fibre.

11626. *Q.* Do you regard paper fibre now as being a substitute for jute?

A. Yes. It is one of the possible substitutes.

11627. *Q.* In your paragraph 6 you enunciate a sound principle. You say: "Speaking generally, the consumer should be regarded as more important than a particular industry." Then you go on to say that an increase in wages or salary would pass to the agricultural labourer only very slowly and still more slowly by the middle classes, who form the bulk of the literate and thinking population. I should like to put to you as a practical man the question which I put to a Professor of Economics the other day. Why is it that these same classes, the literate and thinking population want protection. The witnesses who have come before us from these classes have been practically unanimous in favour of protection.

A. I am afraid I cannot answer that.

11628. *Mr. Rhodes.*—*Q.* In answer to Sir Mancekjee Dadabhoy you said that your industry was not doing particularly well at the moment.

A. Yes.

11629. *Q.* How many hours a week are you working?

A. 54 hours per week.

11630. *Q.* You are not really working on very short time?

A. No, but we are on short time compared with what we have been working before, with what we are permitted to work under the law.

11631. *Q.* Would it not be better for your industry to be in a position, when things are normal, to be working only about 54 hours a week (not necessarily 4 days) so that when the demand for jute goods all over the world increases, you will be able to increase your production by working longer hours?

A. We should like to be working full time now.

11632. *Q.* Do you think that 54 hours a week would be a fair period for the workmen?

A. We work by shifts. The workmen do not work for 54 hours. Only the mills are working.

11633. *Q.* Still in the interests of the jute industry as a whole, I presume that you would rather have such a development of your trade that you can meet all the requirements of the world should occasion arise.

A. It is not our policy of course to be working short time at all. We desire to work full time.

11634. *Q.* You regard this temporary set-back as being due to world causes and not to any peculiar handicap to the industry itself?

A. It is due to world causes.

11635. *Q.* Your industry has been built up without protection?

A. Entirely.

11636. *Q.* So I gather that broadly speaking, with certain exceptions you mention, you do not want interference either from this Government or from any other foreign Government.

A. That is our position.

11637. *Q.* Have other industries been benefited from the establishment of the jute industry in Bengal?

A. Not to a large extent.

11638. *Q.* Engineering, for instance?

A. It is only quite recently we have had engineering firms established here to meet our demands.

11639. *Q.* If your industry continues to flourish there will be indirect advantages to India?

A. In the way of engineering of course. We will have firms established here to meet our demand for machinery and spare parts.

11640. *Q.* In paragraph 8 of their written statement your Association claim there for Bengal practically the right to supply the world demand for bags. But I understand that you have no objection to bag-making industries in other countries provided they use Bengal hessian cloth, the idea being, I suppose, that other countries require only small lots of special bags for special purposes which are better made on the spot?

A. We have no objection in that way. The bag-making part of our industry is so very small that we do not ask for any right to retaliate.

11641. *Q.* In paragraph 9 of their statement your Association do not advocate an export duty on raw jute. Is your idea that the export duty will tend to lower prices for the *raiyat* and therefore prevent the free flow of jute from Bengal?

A. We have already said that a small revenue duty is not injurious to our industry, but we consider that a high one is a source of danger to the trade and will react on the *raiyat*.

11642. *Q.* It is said that America is contemplating the free import of jute and a fairly heavy duty on hessians so as to encourage the local manufacturing industry. How would your Association look upon that?

A. We are very much perturbed by it, and we are asking here the right to meet circumstances of that nature.

11643. *Q.* You regard it as a direct attack on your trade?

A. Undoubtedly.

11644. *Q.* Would it be wise for America to build up an industry which you could so easily destroy by an export duty on raw jute?

A. That will remain to be considered by them, I suppose.

11645. *Q.* How many people are employed in the jute industry? About two millions altogether, with workers and their dependants?

A. We have 286,000 in our jute mills here.

11646. *Q.* The workers and their dependants will be two million, I suppose. My point is that you are a big industry. Would you put up a strong case to Government for protection against what you think to be an unfair attack on the part of America?

A. Undoubtedly. The Association would regard with great concern any attempt on America's part to put on protective duties against our cloth.

11647. *Q.* You are an important body able to put pressure on Government to consider the interests of these people?

A. I have given figures representing the trade in Bengal. I think Government should consider us important.

11648. *Q.* I hope the United States Consul will pass it on to his Government because we do not want to quarrel with America. In regard to an export tax on cloth you admit that a moderate export duty is not injurious if it is justified for revenue purposes. Could you indicate the point up to which the revenue tax may be increased?

A. No. It is difficult.

11649. *Q.* You have mentioned various substitutes that can be used. Cotton is one of them?

A. Yes.

11650. *Q.* Like paper fibre substitutes bulk handling of grain is also a competitor of jute?

A. Quite so. We have indicated that also.

11651. *Q.* If a country starts bulk handling instead of using your jute bags, the mischief will be done, I take it, before you come to know of it.

A. Presumably, before we see it.

11652. *Q.* That mischief would be irreparable?

A. Undoubtedly.

11653. *Q.* Is it not rather dangerous to raise the duty until you get to that point?

A. Yes. But my difficulty is I cannot indicate the danger point.

11654. *Q.* Would you re-examine the question on every attempt to raise the duty?

A. Surely.

11655. *Q.* In other parts of India we have had it suggested to us that the jute industry is the one monopoly of the country?

A. We put forward this case because we claim that it can be injured. Jute holds no absolute monopoly in the packing and wrapping trade, but only a conditional monoploy, the condition being the price.

11656. *Q.* Canada admits raw jute and unfinished cloth free, but imposes a tariff of 7½ per cent. on finished cloth and 15 per cent. on jute bags. Do you consider that this is a case for action?

A. Not until such time as something more is done. They have put up the duty further quite recently, but I look upon it as having been done for increasing the revenue.

11657. *Q.* If they try to make it effective then I presume you will take action.

A. Yes.

11658. Q. Only when it becoms effective you will object?

A. Yes.

11659. *Q.* On the subject of reciprocity, you know that the tea industry are finding it somewhat difficult to compete with Java in the Australian market.

A. Yes.

11660. *Q.* Would you suggest in that case that we should take off or lower the export duty on bags if they would give us preference in tea?

A. I am afraid I cannot answer that. It is a more difficult question than I can deal with.

11661. *Q.* I want to know whether any proposal of that sort would meet with any opposition from your body.

A. I am not prepared to say that it would, but I would rather leave the question unanswered.

11662. *Mr. Coyajee.*—*Q.* In your paragraph 3 of their statement your Association say that speaking as manufacturers they would not favour the imposition of such excise duties, although they find it quite possible to conceive that there may be particular instances where these might be expedient. Will you kindly elucidate this statement?

A. May I leave it unanswered. We quite conceive that there may be instances, but I have no case before me.

11663. *Q.* With regard to paragraph 8 of the Association statement would you recommend discriminating export duties on raw jute to prevent the building up of jute manufactures abroad?

A. Yes.

11664. *Q.* In the memorandum on the "Jute trade after the war" which forms one of the enclosures to the Association statement it is stated "The true remedy for such a situation would seem, at first sight, to be the imposition of a tax on the raw material of an extent equal to that imposed by each foreign country on manufactured jute goods. But in practice that does not seem possible, nor does it now seem desirable." What is your view on this point?

A. We think differently from the experience of our working during the war.

11665. *Q.* With your experience you think that a discriminating export duty is possible and desirable?

A. Yes.

11666. *Q.* Do you think that the present export duty on raw jute has had any effect whatever in checking the growth of jute manufactures abroad? Do you think that it has been at all effective in checking the bag-making industry?

A. No.

11667. *Q.* Have you any fear that after they have built up a bag-making industry those countries might take up the manufacture of hessians?

A. It is quite possible. That is a fear which we have before us.

11668. *Q.* Mr. Rhodes suggested that the United States would not build up an industry in hessians when you can so easily destroy that industry by an export tax. Would that argument apply to the bag-making industry? Having set up a bag-making industry they would not be deterred from setting up a hessian industry?

A. That is the danger we have before us. They might do so.

11669. *Q.* In paragraph 9 of their statement your Association say that the expansion of the jute mill industry in this country which has taken place in the past shows conclusively that a sound manufacturing industry can be established in India without the assistance of export duties. Is this not too general a proposition in the face of the fact that export duties are necessary to keep up the industry even at this stage?

A. We think that export duties may be necessary.

11670. *Q.* You say that the expansion of the jute mill industry conclusively shows that a sound manufacturing industry can be established.

A. We cannot argue against facts which have been established.

11671. *Q.* But it has been established at a time when other countries were not discriminating against the exports of our manufactures.

A. There was discrimination, but not to the same extent. We have been building up continuously.

11672. *Q.* But you have got a good start?

A. Yes.

11673. *Q.* In paragraph 15 of their statement your Association say that both as manufacturers and as exporters they would recommend the abolition of the existing export duty on their manufactures. Do you think that the export duty on manufactures has had any effect in handicapping your trade as exporters?

A. No. It has had no influence on our trade.

11674. *Q.* On the contrary, if you take the figures of exports comparing 1920-21 with 1913-14 exports of manufactured goods have all but doubled.

A. Yes.

11675. *Q.* At least it is indicative that the export duty on manufactures has not been handicapping your industry.

A. It cannot be said it has been harmful.

11676. *Mr. Narottam Morarjee.*—*Q.* Can you tell me the lasting quality substitutes for jute?

A. Textilose is a substitute. But the main substitute is nettle-fibre which is lasting and good.

11677. *Q.* Can it be grown in very large quantities?

A. It can be grown extensively, if it is wanted.

11678. *Q.* If it is grown in large quantities will it not curtail the cultivation of foodstuffs?

A. I cannot say.

11679. *Q.* With regard to elevators, by how much will the consumption of jute bag be reduced by the introduction of elevators, etc., for storing grains?

A. I am not in a position to answer that. They started exporting in bulk wagons and in bulk steamers before the war. This practice was, of course, stopped by the war.

11680. *Q.* Are not the wages here cheaper than in England and other places?

A. Yes.

11681. *Q.* So you can manufacture jute cheaper than other countries?

A. Yes.

11682. *Q.* Would it not be more advantageous to foreign countries to buy the finished products from India?

A. If they impose a tax it would destroy the effects of cheaper manufacturing.

11683. *Q.* There is no handloom industry in Bengal.

A. No.

11684. *The Hon'ble Sir Edgar Holberton.*—*Q.* Could you tell me how many mills your Association represents?

A. There are 76 mills not companies one company may have three or four mills.

11685. *Q.* Are there any mills outside your Association?

A. There are two which are under construction. I have no doubt that they will become members as soon as they are ready to start.

11686. *Q.* The majority of the mills are limited liability concerns, are they not?

A. Yes.

11687. *Q.* Capital coming mostly from Indians?

A. Yes.

11688. *Q.* But there is one outstanding exception in the case of American mills.

A. There are some American mills.

11689. *Q.* The fact that Americans have started those mills here gives some indication that they consider the manufacture of jute here is cheap.

A. One must suppose so.

11690. *Q.* Which firm are you associated with?

A. Messrs. Duncan Bros. and Co.

11691. *Q.* Have they jute mills?

A. We are managing agents of the Anglo-India Jute Mills.

11692. *Q.* You made one very interesting remark in reply to Sir Maneckjee Dadabhoy, I understood you to say that there was no fear of the cultivators failing to produce the jute required.

A. Yes.

11693. *Q.* At the present moment the amount of raw jute required is less than normal, is it not?

A. Yes.

11694. *Q.* Does it happen that that contingency has been met by a smaller crop?

A. For the last three years the cultivator has reduced the area as the world's demand has proved rather less than it should have been, resulting in cheap prices.

11695. *Q.* Has the reduction in the supply of jute led to any increase in the area for the cultivation of food grains?

A. The *raiyat* has cut down his area for jute and has sown food grains.

11696. *Q.* Supposing there was a boom in the jute trade, would you be able to get all the jute you would require?

A. Yes. If there is any shortage it might be only for one season. If the cultivator gets the inducement to sow again he would do as he has done in the past.

11697. *Q.* When does the cultivator begin to sow?

A. In March.

11698. *Q.* When does he reap?

A. From June to September.

11699. *Q.* So, he has to make up his mind some time before March whether he should grow jute?

A. Quite so.

11700. *Q.* Have you examined any figures to show the alternative returns to the cultivator from jute and foodstuffs?

A. I have no information of recent times. Anything I have in my mind will be quite out of date.

11701. *Q.* There has been a tendency in recent years to reduce the jute area?

A. Yes, owing to the want of demand for jute. But in the past we have found the cultivators ready to sow jute. If we are in a position to pay him at a normal, say good rate, then he will revert to jute. He has always done so in the past.

11702. *Q.* At the present moment there is a duty on jute. Is that paid by the mills or the *raiyat?*

A. It is difficult to say who pays it.

11703. *Q.* What I want to find out is whether the export duty is really paid by the consumer or the producer of the jute?

A. When we have any difficulty in selling our produce, we all have to share the loss.

11704. *Q.* On the other hand if you get good prices, you would all share in the benefits of the concern.

A. It pays all, the merchant and the *raiyat.*

11705. *Q.* The *raiyat* really shares in the fortunes of the trade.

A. I would put it that way.

11706. *President.*—*Q.* With regard to the discriminating export duties, in case foreign countries establish jute manufacture by importing jute free and imposing a heavy duty on the import of manufactured goods, you said that there would be difficulties in regulating it but that it was done during the war. Will you please explain how?

A. Jute could only be exported to those countries to which permission was given.

11707. *Q.* Supposing Holland imported jute from India and then exported to America it would be normal, but if it was done on a very big scale, then the Government of India could take measures against sending any more raw jute to Holland.

A. Presumably.

11708. *Q.* Then there is one more point. Supposing the importing countries instead of getting direct from India get their supplies in a roundabout way through one or two middlemen countries, it would add substantially to the cost and to that extent their industry would be handicapped as compared with the Indian industry.

A. No doubt.

11709. *Q.* These might be the safeguards in respect of the policy which you have indicated.

A. Yes.

11710. *Mr. Mant.*—*Q.* You said that during the war this control was exercised by means of licensing jute exports. Does your Association recommend the re-introduction of this system of Government control?

A. We do. Some machinery of this sort would be necessary.

Witness No. 77.

Dr. R. L. Datta, D.Sc., F.C.S., F.R.S.E., Industrial Chemist, Department of Industries, Bengal.

Written statement, dated the 9th January 1922.

11711. *Q.* 43. I am interested in the manufacture of Bichromates of Potash and Soda in connection with the Datta Chemical Works, Limited. I started and organised the Company, carried on the necessary development and research work, designed and erected the entire Works and completely directed and managed it till my recent joining as Industrial Chemist in the Department of Industries, Bengal.

11712. *Q.Q.* 44 & 59. The raw materials required for the industry are found naturally or are produced as bye-products in other industries.

In the case of Bichromates of Potash and Soda, the raw materials required are chrome iron ore, Lime, Sulphuric acid, Potassium sulphate, cake and soda, though the last named has been dispensed with as a result of recent researches.

Chrome iron ore is found in plenty in the Singhbhum district where there are several mines operated by distinct parties. Chrome mines are also found in the Mysore Presidency and Baluchistan. Indian Chrome iron is generally shipped to foreign countries for the manufacture of Bichromates where the selling price is nearly double the rates prevailing in India; *e.g.*, if chrome iron ore sells in India at Rs. 40 a ton, it will sell on the Continent at Rs. 80 to Rs. 100 a ton at the lowest.

Limestone deposits suitable for the production of good lime have been known practically all over India, specially in Central India and Sylhet. The refuse lime mud in the manufacture of caustic soda consists essentially of calcium carbonate and is a valuable and cheap substitute of pure lime or lime stone. Caustic soda is manufactured by the Magadi Soda Co., who produce a large quantity of this material as a useless bye-product.

Sulphuric acid is manufactured in Bengal and elsewhere in large quantities by such firms as Messrs. D. Waldie & Co., Bengal Chemical and Pharmaceutical Works, Ltd., Tata Iron and Steel Co., Ltd., Bengal Iron and Steel Co., Ltd., and this industry is thoroughly established in India, although the raw material, *viz.*, Sulphur, is imported from Sicily, America and Japan. This is evident when we consider the imports of Sulphuric acid in India which was only

21 tons during 1917-18, while the quantity produced in this country exceeds 20,000 tons per year.

Potassium sulphate cake is obtained as a bye-product in large quantities in the manufacture of Nitric acid from Potassium Nitrate, the latter being one of the main industries of the Empire. The annual export of this commodity to the United Kingdom and foreign countries amounted to 22,782 tons during 1917-18. As the Potassium sulphate cake contains considerable Sulphuric acid, frequently over 33 per cent., it is not suitable for sources of potash salts as manure but it is extremely suitable for the manufacture of Bichromate of Potash, the free acid being utilised in the conversion of chromate into bichromate which contributes materially to the economy of the process.

Natural soda is offered in plenty in India by the Magadi Soda Co., which is obtained from the South African deposits and this is cheaper than the soda offered by the English firm of Messrs. Brunner Mond and Co., Ltd. Later researches have been able to dispense with the use of this costly raw material altogether in the manufacture of bichromates.

11713. *QQ.* 45 & 58. The industry is essential to the national security and is of substantial importance to the economic prosperity of India. Bichromates of Potash and Soda are extensively used in the dyeing and tanning industry and the annual consumption of these chemicals exceeds Rs. 20,00,000 in value. The manufacture of these chemicals has been rather a difficult problem for the Indian Munitions Board. It may be pointed out that the tanning industry, which is largely dependent upon these chemicals, is backed by the Government by substantial measures, such as the levying of a heavy export duty on raw hides, establishment of experimental tanning laboratories (Calcutta Research Tannery, Government Research Tannery, Mainar, Central India). The cotton-dyeing industry may be considered as thoroughly established in India and it is very important that these chemicals, which are required for these industries, should be manufactured in India.

11714. *Q.* 46. The equipment of the industry has been the same as in other countries. In fact, the plant has been designed and built according to the latest continental practices with substantial improvements covered by patents. The plant has been made almost automatic, requiring the least amount of labour. The quality of the products produced is superior to similar stuff placed in the market by continental makers and our product analyses 99¾/100 per cent.

11715. *Q.* 47. The Indian market alone consumes annually about Rs. 20,00,000 worth of Bichromates of Soda and Potash, while the natural extension will lead to shipments to foreign countries.

11716. *QQ.* 48, 50, 51 & 52. The industry has to face in India as well as in other countries competition mainly from Germany, inasmuch as the above goods consigned from Germany to the United Kingdom is liable under the Safeguarding of Industries Act to a customs duty of 33⅓ per cent. of its value. The result anticipated will be that the German bichromates being rebuffed from the United Kingdom ports and other foreign ports on account of the 33⅓ duty, will be dumped into India with great fall in prices since other countries have their protection duty and also have their own plant. A similar duty of 33⅓ per cent. on all imports of these chemicals, as are prevalent in the United Kingdom, will place the industry in a safe position. The restriction may be withdrawn as soon as the United Kingdom has done so, because, by that time the industry is expected to develop to such an extent as would obviate the necessity of such special protection.

The industry is also likely to suffer from American competition and a general import duty of 33⅓ per cent. on Bichromates of Potash and Soda generally will place it on a sound basis.

11717. *Q.* 49. There are no special circumstances, natural or artificial, which could give the competing country an advantage beyond their being in the field for a long time and having already built up gigantic plants and getting them in full working order.

11718. *QQ.* 53—55. The industry is likely to suffer less from a depressed exchange, as these generally vary between narrow limits, and when the exchange has depressed to a very low limit, the exporting country generally makes amends by charging a correspondingly higher price. In the case of Germany, the great fall in the German exchange could not be taken advantage of by importers in view of the fact that German exporters and manufacturers, recognising the extremely depressed and uncertain conditions of their currency, sell their products in sterling value. The exchange problem need not be dreaded and it is likely to be only temporary.

11719. *Q.* 56. As the industry is developed only in the course of two years, the effects of the successive enhancements of tariff beginning in 1916 cannot properly be gauged as yet.

11720. *Q.* 57. No exports of these chemicals have been made or reported.

11721. *Q.* 60. This problem has been considered in full detail by the Board of Trade, United Kingdom, and their procedure should, I think, be adopted in our country as well. The United Kingdom have recommended a 33⅓ per cent. duty under the Safeguarding of Industries Act, and to a levy of 26 per cent. duty under the German Reparation (Recovery) Act, 1921. The adoption of their procedure will avoid cases of dumping of merchandise from Germany after they are rebuffed from the United Kingdom ports on account of the above-mentioned duties. No duty need be charged for such items as have no facility or possibility of manufacture in this country even though they are included for duty in the United Kingdom under the Safeguarding of Industries Act and under the German Reparation (Recovery) Act, 1921. Such items may be enumerated as follows from the Notice No. 72 of the Custom House, London:—

Optical glass and optical elements, whether finished or not, microscopes, field and opera glasses, theodolites, sextants, spectroscopes and other optical instruments.

Beakers, flasks, burettes, measuring cylinders, thermometers, tubing and other scientific glassware, evaporating dishes, crucibles, combustion boats and other laboratory porcelain.

Galvanometers, pyrometers, electroscopes, barometers, analytical and other precision balances, and other scientific instruments, gauges and measuring instruments of precision of the types used in the engineering machine shops and viewing rooms whether for use in such shops or rooms or not.

Wireless valves and similar rectifiers and vacuum tubes.

Ignition magnets and permanent magnets, Hosiery latch needles, metallic tungsten, ferro-tungsten, and manufactured products of tungsten and compounds (not including ores and minerals) of thorium, cerium and other rare earth metals.

Copies of Notices Nos. 71 and 72, dated respectively the 14th and 15th September 1921, issued by the Custom House, London, are enclosed herewith for information.

11722. GERMAN REPARATION (RECOVERY) ACT, 1921.

Notice to Importers and Agents.

The following instructions represent the present position under the Act as modified by various orders of the Board of Trade. They are not applicable to goods imported before the 27th May, 1921, as to which the former directions remain in force.

1. *Importer to pay 26 per cent. of the value of German goods to customs.*—Under the German Reparation (Recovery) Act, 1921, and Treasury Regulations made thereunder, the importer of any goods to which the Act applies must pay 26 per cent. of the value of the goods to the Commissioners of Customs and Excise, whose receipt for the sum so paid operates as a good discharge, up to the amount of the payment, as against the person to whom the purchase price of the goods is due.

2. *Goods to which Act applies.*—The Act applies to goods first consigned from Germany to the United Kingdom, either directly or indirectly. The place of manufacture or production of the goods is immaterial; the test is whether the country, whence the goods are first consigned to the United Kingdom, is Germany.

Goods are regarded as consigned from the country where they were last owned and from which they were procured by the importer, *e.g.*, goods of German manufacture or production sent to another country and thence shipped to the United Kingdom are consigned from Germany, unless they have been the subject of a genuine sale to an independent purchaser in such country who has re-sold them to the United Kingdom.

3. *Definition of Germany.*—For the purposes of the Act, Germany is the country of that name as defined by the boundaries laid down in accordance with the Treaty of Versailles. For instance, the Rhineland provinces in Allied Occupation, Allenstein and Upper Silesia, are considered as included in Germany; while Dantzig, Memel, the part of Schleswig now included in Denmark, and the parts of East and West Prussia

which are now included in Poland, are not so considered. [But *see* paragraph 15 (*v*) as to the Saar Basin.]

4. *Goods from other Countries arriving viâ Germany.*—In the case of goods shipped from German ports which are claimed not to have been first consigned from Germany, *e.g.*, goods consigned from Czecho-Slovakia but shipped from Hamburg, documentary evidence in the form of a through bill of lading, railway consignment note, invoice, etc., showing consignment to United Kingdom from the original point of despatch, must in all cases be produced to the Collector of Customs and Excise at the port of importation.

5. *Reparation Levy a Substitute for and not in addition to German Export Levy.*—Goods on which the reparation levy is paid on importation into the United Kingdom will not be subject to the export levy to be made in Germany.

6. *Value on which payment based.*—The value of imported German goods for the purposes of the Act is the amount which an importer would give for them excluding freight and insurance, but including the amount payable to the Commissioners under the Act. The Act gives the Commissioners power to determine value but, without prejudice to that power, the sum stated in an invoice of goods imported on sale to be the price of the goods will, if it includes the sum payable to the Commissioners under the Act, be taken as *primâ facie* evidence of the value of the goods. For example, if the invoice price of the goods is £100 and of this amount £74, and no more, is paid or credited to the German exporter, the invoice includes the amount payable to the Commissioners, *viz.*, £26, and will be accepted as evidence of value of the goods.

The German Government having now undertaken to repay to the exporter the amount collected here under the Act, the latter has no pretext for demanding payment in cash from the British importer of more than 74 per cent. of the invoice price. If, nevertheless, the amount to be paid to the German exporter exceeds 74 per cent. of the invoice price, the latter cannot be said to include the sum (26 per cent.) to be paid to the Commissioners, and cannot be accepted as the value of the goods for the purposes of the Act. In such a case the value on which the levy is payable will be the sum of which the amount to be paid to the German exporter represents 74 per cent.; for example, taking the instance given above, if the invoice price is £100, and the whole of that sum is paid to the German exporter, the value of the goods for the purpose of the Act is £135 2*s.* 8*d.*, of which 74 per cent. is represented by the £100 paid to the exporter and 26 per cent. by £35 2*s.* 8*d.* payable to the Commissioners.

7. *Entries for Goods to which the Act applies* must be accompanied by a special statement in Form No. 140 (Sale). The declaration on the entry must include a statement as follows:—

> "I further declare that the particulars shown in the annexed statement are true."

8. *Invoices.*—The relative invoice must be produced with every statement under paragraph 7, and a copy (in addition to any copy required for other purposes) must be supplied for retention by the Customs.

9. *Postponement of payment under Bond.*—The reparation payment is payable when the Customs entry is made and before the goods are delivered, but on reasonable cause being shown payment may be postponed for a time, not exceeding three months, on security being given by bond, subject to the proviso that in no case will payment be deferred beyond the date upon which payment of the purchase money is due.

10. *Receipts for Reparation Payments.*—An official receipt will be given for every payment. This receipt will operate as a good discharge, up to the sum covered by it, as against the person to whom the purchase price is due, and the receipt of the Commissioners is conclusive evidence of such payment.

11. *Entries for all goods claimed to be outside the operation of the Act which are imported from European countries must contain a declaration in the following terms:*—

> "I declare that the merchandise shown on this entry was not first consigned from Germany to the United Kingdom."

This declaration may be written, stamped, or typed, either on the face of the entry (anywhere above the declarant's signature) or on the back; in the latter case the endorsed declaration must be signed by the person signing the entry, and the declaration on the face must include the following:—

> "I declare that the statements endorsed on the back hereof are true."

Evidence in support of the declaration as to first consignment must be produced if called for by the Collector of Customs and Excise at the port of importation.

12. *Entries for goods imported from extra-European countries* will, for the present, continue to be accepted without the special declaration (paragraph 11) in the absence of suspicion of first consignment from Germany.

13. *Non-German and German goods to be on different entries.*—Goods claimed to be outside the operation of the Act, and goods not so claimed, must be entered on different entries.

14. *Declaration: How to be made.*—Declarations under paragraph 7 will be accepted from the actual importer himself, if an individual; in the case of a limited liability company, from any officer of the company, duly authorised under seal, or from the managing director, or the secretary; in the case of a private company, from one of the partners; or else by a firm carrying on business as a shipping or forwarding agent to whom the importer has given the necessary written authority to act as his agent for customs purposes. This written authority will be taken to have given the agent implied authority to carry out all the business (including the making of the necessary declaration of value) in the usual way by his clerks or servants. Where an entry is presented by a clerk in the employment of an authorised firm, and not by a person himself expressly authorised, the declaration on the entry must bear the declarant's full signature, *viz.*, "*A.B.*, clerk to X. & Co.," and not merely "X & Co." or "X & Co., pp. *A.B.*"

Declarations under paragraph 11 will be accepted from the person passing the entry, in the absence of suspicion of first consignment from Germany.

15. *Exception and exemptions at present in force.*—

(*i*) *Goods Re-imported after Exportation to Germany to undergo a Process.*

These goods on re-importation will be liable to a payment of 26 per cent. of the price to be paid for the execution of the process. Goods exported for this purpose should be produced with an application in the approved Form No. 141 (Sale) to the customs for examination before exportation, in order to ensure their identification on return. Failure to establish identity on re-importation may involve liability to reparation payment on the whole value of the goods, instead of merely on the cost of the process.

(*ii*) *Transit and Transhipment Goods.*

Goods imported for exportation after transit through the Unite Kingdom or by way of transshipment, and dealt with under the appropriate Customs regulations applicable to such goods, are not subject to the provisions of the Act.

(*iii*) *Reparation Goods.*

Goods which are proved to the satisfaction of the Commissioners of Customs and Excise to have been delivered by Germany to Allied or Associated Powers by way of reparation are exempt from the provisions of the Act. Any claim under this exemption must be submitted to the Commissioners, together with all the available evidence in support of it, but, to avoid delay, in the absence of suspicion the goods will be delivered on the importer or his agent making on the entry a declaration that the goods to which the entry refers have been delivered by Germany to an Allied or Associated Power by way of reparation and that he undertake to produce evidence in proof of the declaration to the satisfaction of the Commissioners of Customs and Excise.

(iv) Goods returned from Germany.

Goods in respect of which it is proved to the satisfaction of the Commissioners of Customs and Excise:—

(*a*) that such article was sent from the United Kingdom to Germany, and

(*b*) that such article was returned from Germany to the United Kingdom unaltered, and

(*c*) that the property in such article still remains in the person by whom it was consigned from the United Kingdom to Germany,

are exempt from the provisions of the Act.

This exemption is intended primarily to cover—

(1) goods sent to a German trader in fulfilment of a contract for sale and rejected by him as not being of the quality ordered, and

(2) goods consigned to an agent in Germany for the purpose of sale, but returned unsold.

An application under this exemption must be made to the Collector of Customs and Excise at the port of importation accompanied by a statutory declaration as to compliance with (*a*), (*b*) and (*c*), supported by documentary evidence in the form of bills of lading, invoices, and correspondence. If necessary, delivery under bond will be allowed while the application is under investigation.

Empty packages returned from Germany are regarded as covered by this exemption.

(v) Goods produced or manufactured in the Saar Basin.

Goods proved to the satisfaction of the Commissioners to have been produced or manufactured in the Saar Basin as defined by Article 48 of the Treaty of Versailles are exempt from the provisions of the Act, but as this territory technically remains part of Germany, goods for which the benefit of this exemption is claimed must be accompanied by invoices clearly showing production or manufacture in the Saar Basin, certified by a local authority such as a Mayor or Chamber of Commerce.

(vi) Provision for Reduction of the Amount of the Levy.

Where it is proved to the satisfaction of the Commissioners that by reason of any payment or advance made, consideration given, or obligation undertaken before the 8th March 1921, the sum payable to the Commissioners under the Act exceeds the amount remaining due from the importer in respect of the goods imported, the sum payable to the Commissioners is to be reduced by the amount of such excess.

Persons claiming relief under this provision of the Act should apply to the Commissioners of Customs and Excise, Custom House, London, E.C., submitting full documentary evidence of the payment, advance, etc., and of its relation to the goods imported. If original documents cannot conveniently be submitted, copies sworn as true copies before a Commissioner for Oaths may be lodged. A statutory declaration as to the facts must be submitted. The Commissioners reserve to themselves the right to call for further evidence in any case.

16. *Importation by Parcel Post.*—The instructions contained in this Notice apply to goods imported by Parcel Post.

CUSTOM HOUSE, London,
14th September 1921.

This represents the position on the date of issue of this Notice, and inquiries as to any modifications or on points of detail should be addressed to the Secretary.

(vii) Goods re-consigned from Germany which have never been owned in Germany.

Goods in respect of which it is proved to the satisfaction of the Commissioners of Customs and Excise that after being consigned to Germany by a person or persons not resident in Germany the article is thence consigned to the United Kingdom and has not, whilst in Germany, undergone any process of manufacture or passed out of the ownership of the person or persons by whom it was consigned thereto are exempt from the provisions of the Act.

An application under this exemption must be made to the Collector of Customs and Excise at the port of importation for submission to the Commissioners, accompanied by a statutory declaration as to compliance with the conditions of the exemption and supported by documentary evidence such as bills of lading, invoices, correspondence, or certificates from German Customs or other public authorities. If necessary, delivery under bond will be allowed while the application is under investigation.

11723.

KEY INDUSTRY DUTY.

Notice to importers and agents.

1. *First operation. Rate of duty. Value.*—As from 1st October 1921, inclusive, a customs duty, at the rate of one-third of value, is chargeable on the importation of the Key Industry goods described in paragraph 2, irrespective of the country where manufactured or whence consigned, except that goods consigned from, and grown, produced or manufactured in, the British Empire are exempt (*see* paragraph 5). The value on which Key Industry duty is to be charged is defined in the Act as the price which an importer would give for the goods if the goods were delivered to him freight and insurance paid, in bond at the port of importation, and duty is to be paid on that value as fixed by the Commissioners of Customs and Excise (*see* paragraph 3). Key Industry duty is chargeable only up to the amount by which it exceeds any other Customs duty chargeable.

2. *Goods on which the duty is chargeable*—The goods chargeable with Key Industry Duty are described as follows in the Schedule to the Act:—

(*a*) Optical glass and optical elements, whether finished or not, microscopes, field and opera glasses, theodolites, sextants, spectroscopes and other optical instruments.

(*b*) Beakers, flasks, burettes, measuring cylinders, thermometers, tubing and other scientific glassware and lampblown ware, evaporating dishes, crucibles, combustion boats, and other laboratory porcelain.

(*c*) Galvanometers, pryometers, electroscopes, barometers, analytical and other precision balances, and other scientific instruments, gauges and measuring instruments of precision of the types used in engineering machine shops and viewing rooms, whether for use in such shops or rooms or not.

(*d*) Wireless valves and similar rectifiers, and vacuum tubes.

(*e*) Ignition magnetos and permanent magnets.

(*f*) Arc-lamp carbons.

(*g*) Hosiery latch needles.

(*h*) Metallic tungsten, ferro-tungsten and manufactured products of metallic tungsten, and compounds (not including ores or minerals) of thorium, cerium and the other rare earth metals.

(*i*) All synthesis organic chemicals (other than synthetic organic dyestuffs, colours, and colouring matters imported for use as such, and organic intermediate products imported for their manufacture), analytical re-agents, all other fine chemicals (except sulphate of quinine of vegetable origin) and chemicals manufactured by fermentation processes.

The Act empowers the Board of Trade to issue detailed lists of the articles which fall under the above headings, and to alter the lists when issued. The Board of Trade have issued lists under headings (*a*), (*b*), (*c*), (*h*), and (*i*); and copies may be purchased from H.M. Stationery Office or through any bookseller.

3. *Entries. Evidence of Value. Conversion of Invoices in Foreign Currencies.*—All goods liable to Key Industry duty must be entered on the revised form for goods liable to *ad valorem* and Key Industry duty [No. 107 (Sale)] and are to be described on the entries in accordance with the official Import List and also in accordance with the Schedule to the Act, and the Board of Trade Lists. Importers will be required to produce, as evidence of value, the foreign exporter's invoice for the goods, with freight notes and other

documents showing the charges for freight and insurance. A copy of every invoice must be supplied for retention by the Customs. Invoices, &c., in foreign currencies are convertible into sterling at the rate of exchange current on the date of the report of the importing ship. Where another Customs duty is chargeable as well as Key Industry duty, the amount chargeable in respect of each must be shown separately.

Articles to be charged with Key Industry Duty must not, however, be entered on the same form with articles to be charged with *ad valorem* duty under the Finance (No. 2) Act, 1915. Articles enumerated in the Board of Trade Lists but specially excepted by the Notes thereto should be entered on the ordinary form of Free Entry [No. 23 or 24 (Sale)].

4. *Declarations on Entries; how to be made.*—Declarations will be accepted from the actual importer himself, if an individual; in the case of a limited company, from any officer of the company, duly authorised under seal, or from the managing director, or the secretary; in the case of private company, from one of the partners; or else by a firm carrying on business as a shipping or forwarding agent to whom the importer has given the necessary written authority which in the case of a limited company must be under the company's seal,* to act as his agent for Customs purposes. This written authority will be taken to have given the agent implied authority to carry out all the business (including the making of the necessary declaration of value) in the usual way by his clerks or servants. Where an entry is presented by a clerk in the employment of an authorised firm, and not by a person himself expressly authorised, the declaration on the entry must bear the declarant's full signature, *viz.*, "*A.B.*, clerk to X & Co.," and not merely "X & Co.," or "X & Co., pp. A.B."

5. *Goods claimed to be exempt as consigned from, and grown, produced or manufactured in the British Empire.*—The exemption is allowable on the same conditions as Imperial Preference in respect of other Customs duties (*see* Leaflet No. 27A, which will be supplied on application).

Such goods should be entered on the revised form for goods liable to *ad valorem* duties [No. 107 (Sals)], etc., as free of duty, subject to production of the necessary evidence.

6. *Articles which have lost their identity as ingredients or parts of compound articles exempt.*—Where an imported article is a compound article of which an article liable to Key Industry duty is an ingredient or forms part, Key Industry duty is not chargeable in respect of the compound article if the compound is of such a nature that the article liable to duty has lost its identity.

7. *Transit or Transhipment Goods.*—Goods imported in transit or in transhipment and dealt with under the appropriate Customs regulations are exempt.

8. *Re-imports.*—Goods imported into the United Kingdom after exportation therefrom are exempt from Key Industry duty, if it is shown to the satisfaction of the Commissioners of Customs and Excise either that the goods had not been imported previously to exportation, or that no drawback of duty was allowed on exportation, or that any drawback so allowed has been repaid to the Exchequer; but goods which have been imported and exported by way of transit under bond have not been imported or exported for this purpose. Goods intended to be exported and re-imported may be examined by Officers of Customs and Excise before exportation, with a view to ensuring their identification on re-importation. Full information may be obtained on application. Exporters are advised to arrange for goods which are to be re-imported to be examined before exportation, as the exemption can only be allowed if the re-imported goods can be satisfactorily identified.

9. *Drawbacks.*—On the exportation, as merchandise, of goods which are proved to have paid Key Industry duty, and not to have been used in the United Kingdom, a drawback equal to the duty paid is allowable. All goods on which drawback is claimed must be presented for examination by Officers of Customs and Excise before exportation.

10. *Bonded Warehouses.*—Goods liable to Key Industry duty cannot be deposited in bonded warehouses, and the duty must be paid on the importation of the goods, except as regards goods which are liable to Key Industry duty in addition to other Customs duty.

11. *German Reparation (Recovery) Act.*—The operation of the German Reparation (Recovery) Act is not affected, and the payments under that Act (which are not Customs duties) remain distinct from Key Industry duty and payable as provided by the relative law and regulations.

12. *Contracts.*—Attention is drawn to the provisions of section 10 (1) of the Finance Act, 1901, which reads as follows: "Where any ney customs import duty or new excise duty is imposed, or where any customs import duty or excise duty is increased, and any goods in respect of which the duty is payable are delivered after the day on which the new or increased duty takes effect in pursuance of a contract made before that day, the seller of the goods may, in the absence of agreement to the contrary, recover, as an addition to the contract price, a sum equal to any amount paid by him in respect of the goods on account of the new duty or the increase of duty, as the case may be."

13. *Further Information.*—Any further information required will be furnished on application to the Secretary, Customs House, London, E.C.3, or at any Customs and Excise Office.

* Letters of authorisation need not be sealed if they are signed by an officer of the company who has been specially authorised under the company's seal to issue such letters.

Oral evidence, dated Calcutta, the 17th January 1922.

11724. *President.*—*Q.* You are Industrial Chemist, Department of Industries, Bengal?

A. Yes.

11725. *Q.* Before you took up this appointment, you were interested in various industries in Bengal?

A. Not various, but one Chemical Works.

11726. *Q.* You are interested in Chemical Works?

A. Yes.

11727. *Q.* In answer to Questions Nos. 44 and 59 you say "Indian chrome iron is generally shipped to foreign countries for the manufacture of bichromates where the selling price is nearly double the rates prevailing in India; *e.g.*, if chrome iron ore sells in India at Rs. 40 a ton, it will sell on the continent at Rs. 80 to 100 a ton at the lowest." How do you account for this difference in price?

A. The cost includes freight, middleman's commission, and so forth.

11728. *Q.* Sulphuric acid is manufactured from raw materials imported into India?

A. Yes.

11729. *Q.* In answer to Questions Nos. 48, 50, 51 and 52, you say "The industry has to face in India as well as in other countries competition mainly from Germany, inasmuch as the above goods consigned from Germany to the United Kingdom is liable under the Safeguarding of Industries Act to a customs duty of 33⅓ per cent. of its value. The result anticipated will be that the German bichromates being rebuffed from the United Kingdom and other foreign ports on account of the 33⅓ per cent. duty will be dumped into India with great fall in prices." Therefore you really want protection against dumping by foreigners?

A. Not only against dumping, because the dumping may be, as a matter of fact, the result of accumulated stocks of previous years, but also on account of the manufacturers not being able to export any to the United Kingdom.

11730. *Q.* That is to say, by the curtailment of the markets, they will try to dump in other ports?

A. Just to keep their factories going. They cannot cut down.

11731. *Q.* They will be doing this at a loss?

A. Sometimes they will be doing it at a loss.

11732. *Q.* They cannot continue for a long time working at a loss?

A. No. they cannot possibly continue to do so.

11733. *Q.* Therefore you want temporary protection?

A. Not temporary. Under the Safeguarding of Industries Act a customs duty of 33⅓ per cent. is charged on

Bichromate of Potash in the United Kingdom. So long as that restriction prevails in the United Kingdom, similar restrictions should prevail in our country as well.

11734. *Q.* Then you also apprehend competition from America?

A. Yes. My idea is that restriction may be withdrawn as soon as the United Kingdom has done so because by that time the industry is expected to develop to such an extent as would obviate the necessity of such special protection. We have been progressing rapidly fitting up and working an automatic plant and as soon as our production is say, a couple of thousand rupees worth of products per day we will be able to face foreign competition effectively, because we are very favourably placed with regard to raw materials required for the manufacture of Bichromates of Potash and Soda.

11735. *Q.* You only want temporary protection till you establish your industry on a footing of high efficiency?

A. Say five or ten years' protection.

11736. *Sir Edgar Holberton.*—*Q.* Your real trouble has arisen from the passing of the Safeguarding of Industries Act at home?

A. Yes.

11737. *Q.* You say that it will cause dumping?

A. Yes, I have been following the market. We started manufacture and sale from the beginning of 1920 in right earnest and we used to sell at that time at Rs. 1-2-0 a pound, then the price gradually came down to 14 and 13 annas. Since the passing of the Safeguarding of Industries Act, the price has come down to 7 annas or so.

11738. *Q.* What is the product you sell?

A. Bichromate of Potash.

11739. *Q.* Do you sell Bichromate of Soda?

A. We are contemplating the manufacture of Bichromate of Soda because Bichromates of Potash and Soda are allied products.

11740. *Q.* You say that the competition will continue as long as this Safeguarding of Industries Act remains on.

A. Yes.

11741. *Q.* Have you entirely severed your connection with this firm now?

A. Yes.

11742. *Q.* You are entirely a Government servant?

A. Yes.

11743. *Q.* Can you tell me the capital of the company?

A. It is over Rs. 3½ lakhs.

11744. *Q.* Is that in Calcutta?

A. In the suburbs of Calcutta.

11745. *Q.* Have they paid any dividends yet?

A. Not yet. They have a debit balance of Rs. 24,000 this year.

11746. *Q.* That you put down to any special circumstances?

A. No, that is because we could not run our full plant.

11747. *Q.* Are there similar factories in India?

A. No. This is the only factory successfully manufacturing bichromates. Others have experimented and failed. I did the investigation, I did everything; I designed and built it myself in accordance with continental practices.

11748. *Q.* How could the business afford to spare your services?

A. Of course there are other competent people who now look after the manufacture. In fact, everything had been done.

11749. *Q.* Once it is started, everything is easy?

A. If a plant has been assembled and automatic devices have been fixed up, it only awaits working.

11750. *Q.* With reference to your remarks in reply to Questions Nos. 53 and 55 "The industry is likely to suffer less from a depressed exchange" would you please explain what you mean by that?

A. If you follow the subsequent lines I have explained that the exporting country generally makes amends by charging correspondingly higher prices. If the exchange has fallen low, the exporting country will make amends.

11751. *Q.* The German exchange is very low.

A. Yes, but you won't get German goods in marks. We have to pay in sterling.

11752. *Q.* Really the position is not affected by the fall in exchange.

A. I have a personal account current in marks and whenever I offer payment even for the purchase of books, they refuse. They say 'pay us in sterling.'

11753. *Q.* You mean that the price is fixed on the English price.

A. Yes.

11754. *Q.* They always sell in sterling.

A. They quote in £ *s. d.* If we pay in marks they convert into shillings.

11755. *Q.* And you think that exchange has not affected your trade at all.

A. No.

11756. *Mr. Narottam Morarjee.*—*Q.* Do you sell all your articles locally?

A. Yes. At present we are turning out only a small quantity. Our main programme awaits being given effect to. As soon as our plant is in full working order, it would of course, give at the rate of Rs. 2,000 a day or Rs. 60,000 a month and this is only one-fourth of what India consumes.

11757. *Q.* Can you explain why the Magadi Soda Co. could produce soda much cheaper than English or German soda?

A. The Magadi Soda Co. mine soda, which is a natural soda. It is a mixture of soda bicarbonate and soda carbonate. As this is a mined product, you simply dig it, load in trucks and bring it here to Budge Budge. It is a natural soda simply dug out of the earth.

11758. *Q.* You require 33⅓ per cent. duty only for 5 or 10 years?

A. Yes.

11759. *Mr. Coyajee.*—*Q.* I think that it would be necessary to impose this duty so long as the Safeguarding of Industries Act prevails in the United Kingdom?

A. Yes, as long as there is that Act.

11760. *Q.* Apart from the question of that Act, you don't think your industry requires any further protection.

A. I don't think so. As soon as our automatic plant will be in running order, we shall be able to meet effectively foreign competition.

11761. *Mr. Rhodes.*—*Q.* You say that the cotton-dyeing industry is thoroughly established in India and that it is very important that those chemicals which are required for these industries should be manufactured in India.

A. Yes.

11762. *Q.* Do you suggest that the cotton-dyeing industry should be protected?

A. Of course, I have not studied the problem. There are many circumstances which affect the cotton-dyeing industry, for instance, heavy import duty on yarn, etc.

11763. *Q.* You have not studied the question of the cotton-dyeing industry.

A. No.

11764. *Mr. Mant.*—*Q.* You say that the raw materials required for the industry are found naturally. Are they in localities whence you can get them easily to your factory?

A. Yes.

11765. *Q.* Where is your factory?

A. In Narkuldanga, near the Sealdah Station.

11766. *Q.* You have no difficulty in getting your chrome iron ore?

A. No. The ore is found in large quantities in the Singhbhum district and Baluchistan.

11767. *Q.* I ask you because we have had statements made by other witnesses to the effect that there was difficulty in bringing the raw materials to the factories?

A. In that connexion I should like to mention a few points. The railway freight is somewhat unfair in certain cases because if you compare the same mileage traversed in America or other foreign countries, you will find the Indian Railways tariff very unsatisfactory.

11768. *Q.* You mean that railway freights are cheaper in America than here?

A. Yes. Any legislation or any recommendation which will reduce the freight will substantially help the industries.

11769. *Q.* Where are your markets situated?

A. Practically all over India. Bombay consumes much, Madras also to a fair extent and also other places.

11770. *Q.* You say in your replies to Questions Nos. 45 and 58 that the industry is essential to the national security and is of substantial importance to the economic prosperity of India. It forms the basis of other industries such as tanning and dyeing, does it not?

A. Yes.

11771. *Q.* You ask for a duty on chemicals?

A. Yes.

11772. *Q.* Won't that put up the cost to the other industries?

A. That will be a fact to a certain extent. But, of course, any endeavours which will be made to protect one industry will in the first instance to some extent hamper another but not to a very great extent because chemicals required by these industries, *e.g.*, dyeing and tanning are very small. They require them only for finishing.

11773. *Q.* There is no other industry, with the exception of tanning and dyeing, which is dependent on it?

A. No, but a few pounds may be used by the laboratories and a few pounds may be required for electric batteries.

11774. *Q.* When you say "The industry is essential to the national security" you refer only to the tanning and dyeing industries?

A. It has been recommended like that by the Government of India. This problem was actually set by the Government of India as a special problem for investigation by the Indian Munitions Board, Simla, at the Indian Institute of Science, Bangalore.

11775. *Q.* When you talk of national security, it is only those two industries that you are referring to?

A. Yes.

11776. *Q.* In your answer to Question No. 60, you say that the United Kingdom have "recommended" a 33⅓ per cent. duty. You mean they have actually imposed it?

A. Yes.

11777. *Sir Maneckjee Dadabhoy.*—*Q.* Has the duty been actually imposed?

A. Yes.

11778. *Q.* When was it?

A. In October 1921.

11779. *Q.* And since then has Germany diverted its exports to other countries?

A. Of course, we feel the German competition very much.

11780. *Q.* You do not feel the American?

A. Not to that extent.

11781. *Q.* Has Germany diverted the goods to India in larger quantities?

A. It seems so. We have examined the customs returns during the last six to eight months.

11782. *Q.* I want figures after the imposition of this duty, during the last three months. Have you examined the customs returns for these three months?

A. I have had no opportunity to do that, but we have found a large fall in price. There are German agents in Bombay who are willing to sell at very low prices, and we have had difficulty in fixing up our prices with consumers.

11783. *Q.* There is only one company in India, and that is yours?

A. Yes.

11784. *Q.* What percentage of the total requirements does your company produce?

A. India consumes 20 lakhs worth: we shall produce about 7 lakhs worth. We have got arrangements to produce another 7 lakhs worth within a short time.

11785. *Q.* Will you be able to produce all the requirements?

A. There is no reason why we should not.

11786. *Q.* Will other companies be started?

A. No, because the idea is that our business has been very carefully developed under patent inventions under Indian conditions. Special processes have been devised to utilise Indian raw materials, for instance, we have dispensed with the use of soda, as this is an imported stuff.

11787. *Q.* But a large quantity of imports will still be required for several years to meet Indian requirements?

A. Not necessarily. They may be required only for a year or two. As soon as there will be a demand, we shall be able to increase our production very briskly.

11788. *Q.* You say your company will be able to meet the entire demand?

A. Yes, in course of time. As soon as there is a demand for our products we shall be able to increase our production.

11789. *Q.* Has the demand fallen owing to the imposition of the duty in England or owing to a general slump in the trade?

A. The demand has not fallen, but the goods come from Germany at very low prices.

11790. *Q.* What is the price at present?

A. At present it may be 6 or 7 annas.

11791. *Q.* At what rate are you able to sell now?

A. 8½ to 9 annas.

11792. *Q.* Are the Germans undercutting you?

A. Yes. We are able to sell our goods at higher prices, because our product analyses generally 100 per cent.

11793. *Q.* Then why do you want this protection?

A. Because in the infant stage our cost of production is somewhat higher.

11794. *Q.* You say you are getting higher prices for your product and you are able to sell your product. Then why should you want protection?

A. We are getting higher prices, but they will fall gradually. We have a debit balance in our company. We have to sell cheaper because the market is such.

11795. *Q.* Who are the managing agents of this company?

A. I used to manage it, but I have now left and delegated the management to a competent person. There are no managing agents.

11796. *Q.* All the capital has been subscribed?

A. We have 3¼ lakhs subscribed capital out of a nominal capital of 7 lakhs.

Witness No. 78.

W. J. ALCOCK, Esq., Consulting Chemical Engineer, Calcutta.

Written statement, dated the 11th January 1922.

11797. *Q.* 43. I am a Consulting Chemical Engineer interested in the manufactures of heavy chemicals and paper pulp.

11798. *Q.* 44. Coal, salt, limestone, bauxite, clays, grasses and wood fibres (bamboo).

11799. *Q.* 45. Yes, the development of the chemical industry is essential for the economic prosperity of India. Upon it practically depends the ultimate success of the bleaching, dyeing, soap, paper and allied industries.

11800. *Q.* 46. There are a few up-to-date works whose equipment compares favourably with other countries, but it cannot be said that India generally compares favourably with other countries in her chemical industry. The industry is in its infancy and it would not be reasonable to make comparisons without having the data of each section analysed.

11801. *Q.* 47. Internally.

11802. *Q.* 48. Practically the price is controlled by the importer which is effected by the markets in Europe, principally Liverpool and Manchester. The market price quoted in these two centres, *plus* freight, insurance, duty and agent's commission, is the price here. Fluctuations of the market naturally have an effect on the price here; difference of exchange also has an effect.

This competition extends to all heavy chemicals, perhaps with the exception of sulphuric acid upon which there are heavy freight charges.

11803. *Q.* 49. Yes, naturally the chief centres of the heavy chemical Industry in England have one great natural advantage, that is, that they can draw their supplies of raw materials from a very small radius, and the same applies to the sale of their products and shipment for export.

The natural facilities are so great as may well be seen the largest alkali producer pumps its saturated solution of salt or brine from its own source of supply within an area of about 10 miles and secures its supplies of coal and limestone from a distance not exceeding 50 miles. This firm has controlled the alkali market for many years.

11804. *Q.* 50. I think the industry needs protection but in another manner than by imposing duties on the imported article. I will make my suggestions under answer to Question No. 55.

11805. *Q.* 52. Only occasionally I think, as I don't think merchants can carry large stocks of chemicals which they may have difficulty in realizing.

11806. *Q.* 55. Yes, by a subsidised railway rate on raw material for key chemical industries.

Reason we have in this country practically in every case: long freightage to bring our raw materials to centres when manufacturers can find a market for the disposal of their products.

The bleaching, dyeing and paper industries are practically centred in Bombay, Calcutta, Cawnpore. Taking this side of India:

Salt, which is the basis of alkali bleaching powder and hydrochloric acid, would, if we were to use Indian salt, be procured from the Madras and Ganjam Coast; it can be secured there at about Rs. 12 to Rs. 17 per ton, but if brought to Calcutta district it has to bear a railway freight of Rs. 21 which kills it as far as the use in the production of Alkali. It costs the alkali producers in Cheshire about Rs. 3 in the form of brine. The same remarks as to freight apply to limestone.

Coal is our only favourable material, and this is not the quality of good Staffordshire or Lancashire coal. Bauxite can be obtained in Jubbulpore, Central Provinces, at a reasonable price; this is the raw material for alumina sulphate used in the manufacture of paper. The rate from Jubbulpore is Rs. 18; the freight is Rs. 6 more than the raw material costs at point of loading. It will be seen that distances are against the manufacture of heavy chemicals, and I am of the opinion that given a reasonable rebate on carrying to bring us in line with the cost of same in other countries we could develop with success our chemical industry. In the river Hughli we have excellent water for the manufacture of chemicals, paper bleaching and dyeing. We have also a large consuming market internally which, if we produced our own chemical products, would not be subject to the exchange as if we were dependent on export.

Oral evidence, dated Calcutta the 17th January 1922.

11807. *President*:—*Q.* You are Consulting Chemical Engineer and you are interested in the manufacture of heavy chemicals?

A. Yes.

11808. *Q.* Your raw materials are coal, salt, limestone, bauxite, clays, grasses and wood fibres (bamboo)?

A. Yes.

11809. *Q.* Do all the raw materials exist in India?

A. The raw materials exist in India.

11810. *Q.* You claim that the development of the chemical industry is essential for the economic prosperity of India?

A. Yes.

11811. *Q.* Because upon its success depends the ultimate success of bleaching, dyeing, soap, paper and allied industries?

A. Yes.

11812. *Q.* Do you think that the sort of protection which you ask for in answer to Question No. 55 will enable you to develop your industries? Will they be able to stand on their own legs in course of time?

A. Well, I think so. Take, for instance, salt. Salt is the key of the chemical industry. You want it for alkali, bleaching powder and hydrochloric acid. What we are suffering from in this country is geographical distances. Salt in India is situated in the Punjab and in Rajputana. There is some salt on the Bombay side got by evaporation. There is also salt made on Madras Coast. To bring the salt to the centres of industry where it is used for alkali, bleaching powder, etc., entails long distances. This makes it impossible for us to compete with foreign countries.

11813. *Q.* One form of protection that you suggest is subsidised railway rate on raw materials for key chemical industries?

A. Yes.

11814. *Q.* And then for the manufacture of alkali you have got to select a site which is most favourably situated in regard to distances. Which in your opinion is the best site, a site near a place where salt is produced or a site near a place where coal is produced?

A. As a rule you have to carry a heavier weight of raw materials than finished products, and it would be advisable and advantageous I think to have your works near the raw materials. Unfortunately, with one exception, they are very far apart. The only exception I know of is the Madras area. The opening up of a coalfield at Talcher brings in the possibility of a feasible proposition. You have in Madras good limestone, and you have a large section of its coast where salt is produced, not of the highest quality, but I think it is possible to make alkali from it. When you go to the Bombay side, you are a long way away from your coal and a long way away also from limestone. It might be possible on the Bombay side to make alkali and bleaching powder by decomposition by electrical energy, because we know that there is a scheme for providing electrical energy there which will provide power as cheap as coal.

11815. *Q.* Which is your best market, Calcutta or Bombay?

A. Probably with the advance of the cotton industry which is going on on the Bombay side Bombay will be a better market than Calcutta.

11816. *Q.* Is it not always advantageous to establish your industry where you can reach the consumer with the least cost of transport?

A. Yes.

11817. *Q.* Assuming for argument's sake that at Madras or Bombay you can work your industry economically and profitably, but that some one established the industry at Calcutta which is unsuitable from the point of view of raw materials and markets, would you still advocate some sort of protection in regard to that industry?

A. Well, I think, taking all these things into consideration and the distance of the raw materials, you will have to give some sort of protection.

11818. *Q.* Suppose, for instance, that this industry is established in Bombay, Madras and Calcutta, and in consequence of the natural advantages and the reduced cost of transport at Madras the manufacturers there are able to get a profit of 10 per cent., in Bombay because of its various difficulties they only make a profit of 5 per cent., and in Bengal they get no profit at all, but make a small loss. What would be your recommendation in regard to the policy towards the different manufacturers?

A. Well, I think without doubt you will have to treat them on their own areas.

11819. *Q.* That means the consumer would be penalised. When you can establish the industry and work it profitably at one centre, why should the other centres get any protection at all at the expense of the consumer?

A. I do not think any section can do that without assistance.

11820. *Q.* Assume, for argument's sake, that three firms start alkali works, one in Madras, one in Bombay and one in Calcutta. Suppose the Bengal firm made a loss; the Bombay firm was little more succesful and made a small profit; and the Madras firm, because of the natural advantages of Madras, made good profits. Now these three factories are working, and the Madras factory supplies cheaper than the Bombay and Bengal factories without any protection?

A. Assist Bombay and Bengal.

11821. *Q.* You know protection means increased cost to the consumer?

A. I am not advocating protection.

11822. *Q.* Subsidised railway rates are a form of protection.

A. You get the benefit of the increased carrying.

11823. *Q.* Increased carrying would be of some advantage if the railways do not get enough to carry, but the facts are otherwise?

A. Quite.

11824. *Sir Maneckjee Dadabhoy*:—*Q.* The whole trouble, I understand, comes from the fact that all these raw materials which are necessary for your industry are scattered all over the country?

A. Yes. (Witness produced a map and showed how the raw materials required for the industry were scattered in different places. There were salt and limestone at Madras, but no coal: there was coal in Calcutta, but no salt or limestone: there was salt in Bombay, but no coal.)

11825. *Q.* There is salt in Ganjam, and there is coal in Bengal. Can't you do anything?

A. No. I am speaking as a Northwich man. The natural facilities there are so great that the largest alkali producer pumps his brine from a distance of about 10 miles and the soda contents in a ton of alkali cost about Rs. 3. Indian salt will probably cost about Rs. 15 to Rs. 18 per ton.

11826. *Q.* In other words, it is not a suitable industry which could compete on economical terms with other countries?

A. Not if left to itself. I do not think so.

11827. *Q.* Under heavy chemicals what do you include?

A. I mean alkalis and acids.

11828. *Q* In your answer to Question No. 55 you say "by a subsidised railway rate on raw material for key chemical industries." Have you got any definite scheme of subsidies to be placed before the Commission?

A. I think it is a matter for the railway authorities to consider. I have not any scheme to give.

11829. *Q.* You do not know what railway rates will help your industry? Can't you give me an idea as to what rate will help your industry?

A. I think a rate of about Rs. 8 would help because we are coming then nearer to the coal in Bengal. Besides there is another important factor. Hydrochloric acid is manufactured cheaply by the combustion—combustion of chlorine and hydrogen in a combustion furnace in England and America. This method of manufacture will revolutionise the industry.

11830. *Q.* In your written statement you say that if Indian salt be procured from the Madras and Ganjam Coast it can be secured there at about Rs. 12 to Rs. 17 per ton, but if brought to Calcutta district it has to bear a railway freight of Rs. 21. You also say lower down that the rate from Jubbulpore is Rs. 18 and the freight is Rs. 6 more than the raw material costs at point of loading?

A. That is an instance of how heavily we are charged on raw materials.

11831. *Q.* But I am not clear even if you had a subsidised railway rate you would still be in a position to compete with foreign imports?

A. We should have difficulty, I think, probably for 10 years, until we become a factor in the world's producers. We should be very small producers for 10 years.

11832. *Q.* Would it not be unfair to the ordinary consumer to carry on this subsidised system of freights for another 10 years?

A. If you want to make the country self-contained you must do so.

11833. *Mr. Mant*:—*Q.* Your description of your difficulties raises a doubt whether it is worth while to pay the cost of establishing these industries. You say that the salt costs the alkali producers of Cheshire about Rs. 3 per ton. The salt of the Ganjam Coast will be procured for Rs. 12 to Rs. 17 a ton and has to bear a railway rate of Rs. 21. That means it costs you at least Rs. 33 a ton, *i.e.*, 11 times the cost of the raw material at home?

A. Yes.

11834. *Q.* Is it a practical proposition to subsidise an industry to that extent? Would not the cost to the country be too large?

A. But we have other advantages. The great factor is that if you do not do this your country in case of war may experience a difficulty for supplies and work may have to be stopped.

11835. *Q.* You propose this as an essential industry for war purposes?

A. To carry the country through a war period, not for war purposes.

11836. *Q.* You mean to enable the country to keep its industries going in time of war?

A. Quite so.

11837. *Q.* That is the only ground on which you could justify such a heavy subsidy?

A. Also as the industry develops you employ more people in it. Again when you create an industry you also create subsidiary industries with it. It is all for the betterment of the country.

11838. *Q.* At a very heavy cost to the general taxpayer?

A. I do not think like that. My idea is that you would not really injure the taxpayer and the advantages will be very great. The import of alkalis in this country is now 30,000 tons. It will probably be 55,000 tons in the next five years.

11839. *Q.* Can you estimate the total cost to Government of these subsidies that you suggest?

A. With a bounty of Rs. 5 it will amount to about Rs. 5 lakhs annually.

11842. *Q.* Your object is that those industries should be increased, is it not?

A. Yes.

11841. *Q.* Will there not be a corresponding increase in the cost of the subsidies?

A. There will be an increase of revenue to Government. Surely the manufacturers will have to pay income-tax.

11842. *Q.* This is with regard to the alkali industry. What about the others?

A. The same argument applies to the bleaching industry, because the basis of bleaching powder is salt too. I claim that salt is the key for heavy chemical industries of this country or of any country. Sulphuric acid does not now take the prime place. It used to be said that the wealth of a country could be judged by its output of sulphuric acid.

11843. *Q.* You estimated just now Rs. 5 a ton as the extent of the bounty?

A. It is a very rough figure.

11844. *Q.* Supposing Government did decide to subsidise this industry, would it not be better to grant an all-round bounty of, say, Rs. 5 a ton on manufacture than give rebates on railway freights, because then you would put up the factory in the most economical place. You would be encouraged to work on the most economical lines. If you get a rebate on railway freight you may not be inclined to do so?

A. I think any manufacturer would do that. He would endeavour to do that himself.

11845. *Q.* If Government shares the cost of transport you would remove one incentive to economy. If the manufacturer has to pay the whole transport charges he will be inclined to keep these as low as possible?

A. I would not grant a rebate or subsidy on railway rate merely on the application of a manufacturer. The manufacturer would have to go before a technical committee and prove that he was reasonably entitled to a rebate or bounty. I would not give Rs. 5 a ton on bauxite where it was unnecessary. Under my proposition a manufacturer of chemicals would have to appear before the committee and lay his costs on the table before the experts.

11846. *Mr. Rhodes*:—*Q.* Mr. Alcock, you are talking of the manufacture of chemicals from indigenous salt. Would it not be cheaper to manufacture them from imported salt?

A. It is to-day cheaper.

11847. *Q.* It would cost much less to buy salt from Liverpool and manufacture it here, is that not so?

A. Yes.

11848. *Q.* Has the manufacture of bleaching powder from imported salt been considered?

A. It has not been considered here.

11849. *Q.* It is not feasible?

A. I think so.

11850. *Q.* What is the import duty on salt used in the manufacture of chemical industries?

A. There is not any duty.

11851. *Q.* It comes in free?

A. Yes. That is why I suggest that if you put a duty on salt you double that on the alkalis. It will be practically double on alkali manufactured in India (2 tons salt—1 ton alkali).

11852. *Q.* What is the advantage in manufacturing from indigenous salt when you can manufacture more cheaply from the imported salt?

A. Because you make the country self-contained.

11853. *Q.* That is the only advantage?

A. I think it is a very great advantage. You are creating more or less two industries, manufacture of salt and manufacture of bleaching powder.

11854. *Q.* Manufacture from imported salt has never been tried practically? Is bleaching powder made in the country in any quantity?

A. Yes.

11855. *Q.* I suggest it would be better to manufacture bleaching powder from imported salt rather than from indigenous salt?

A. I do not think so.

11856. *Q.* You cannot compete with the imported bleaching powder?

A. With subsidised rates we can.

11857. *Q.* If you manufacture from imported salt, could you compete in price with the imported bleaching powder?

A. On present rates, yes. But we should be subjected to violent fluctuations, because we should be small producers and the European countries are large producers. They could put on the market at times large quantities of materials at cost price.

11858. *Q.* Nobody had sufficient courage to attempt it here?

A. There was the difficulty of temperatures.

11859. *Q.* I know, but I think it could be done.

11860. *Mr. Coyajee*:—*Q.* Mr. Alcock, in your valuable memorandum you state that fluctuations of the market naturally have an effect on the price here and difference of exchange has also an effect. We have had experts before us who have argued that the fact of depressed exchanges has not affected these industries in India, the argument being that the exporting country takes to charging correspondingly higher prices. What is your view about that allegation?

A. I am not an authority on exchange. But I would rather argue the point on the fluctuation of the market,

11861. *Q.* You are not able to give us any information about the effect of depressed exchanges on chemical industries?

A. I would rather not.

11862. *Q.* The next question I want to ask is whether any appreciable benefit has resulted to the local chemical industry from the successive enhancements of the tariff since 1916?

A. The present chemical industry is very small. It is only probably a fraction of 1 per cent.

11863. *Q.* The industry is so small that the successive enhancements of the tariff have not been of any use to you?

A. I think so.

11864. *Q.* On what grounds do you prefer the method of giving help to chemical industries by reduced freights instead of by import duties?

A. My information is that if you raise the import duty on the chemicals you will increase the cost of manufacture in other industries. If you put a duty on a raw material for chemical purposes you nearly in every case double it on the finished product.

11865. *Q.* So you would put the whole sacrifice on one industry, the railway industry?

A. No, I do not think you put it on the railways. I presume that the country as a whole will bear it, and I say that it is such a small fraction of the revenue that it will not be felt. I am not complaining of the railway rates.

11866. *Q.* The advantages of the competing countries for manufacture are, firstly, a great demand close at home; secondly, better transport facilities; and thirdly, special help for other subsidiary industries. You would counterbalance all these disadvantages in India only in a single way, namely, by reduced railway rates. It is rather too heavy a strain to put on the railway industry?

A. My opinion is that if you get an industry established once and then leave it to go its own way it will get on. People will become self-reliant and industries will develop. I think this is the way to get industries to grow.

11867. *Q.* Do you think that the development of sea carriage of raw materials will make the situation easier?

A. It could be done in the case of salt.

11868. *Q.* The development of maritime carriage would make the situation easier as regards one of the most important articles?

A. Yes.

11869. *Mr. Narottam Morarjee*: — *Q.* Perhaps you may know that some of the mills use coal for power for making bleaching powder?

A. No. They use a solution of sodium hydrochlorite.

11870. *Q.* Some of them do so, don't they?

A. Yes.

11871. *Q.* Could we not do it on a large scale by electrical power?

A. That does not apply to all industries. In the paper industry you may have a solution of caustic soda.

11872. *Q.* Instead of coal could we not use electrical power?

A. You can wherever it is economical. It is economical in Bombay. But in many cases the distances are so great that the cost of water installation is not cheap, and it would nullify other advantages.

11873. *Q.* In Bombay we have got electrical power?

A. Yes. At 5 I think.

11874. *Q.* Are you aware that in Kathiawar they are starting electrolytic works?

A. I have heard of it. I know nothing definite about it.

11875. *Q.* One of the experts said that it will be the best place for making cheap alkalis for mill industries?

A. I should doubt it.

11876. *Q.* Can you give me the percentage of coal that you use for making a ton of alkali?

A. It depends upon the coal that you use. I think for 2 tons for caustic soda you use about 4 tons of coal.

11877. *Sir Edgar Holberton*:—*Q.* In answer to Question No. 43 you say that you are interested, in the manufacture of paper pulp. Will you please say in what capacity you are interested?

A. I am interested as Consulting Chemical Engineer. I am not speaking for any firm. I am speaking as a private individual.

11878. *Q.* Are you an expert in the manufacture of paper pulp?

A. I have specialised in the preparatory side of the industry.

11879. *Q.* How many paper pulp mills are you Consulting Engineer for?

A. I am the Consulting Engineer for the Titaghur Paper Mills.

11880. *Q.* They make paper as well as paper pulp?

A. Yes.

11881. *Q.* You have not got any information to give us as to what advantages there are for manufacturing paper pulp in India as opposed to importing it?

A. No. I really speak on chemicals.

Witness No. 79.

Messrs. Balmer Lawrie and Company, 103, Clive Street, Calcutta.

Written statement, dated the 10th January 1922.

11882. *Copper Mining.* We beg to address you on the question of a protective duty for Copper Mining Industries in this country, and in favour thereof, beg to draw your attention to the following facts and arguments:

The Cape Copper Company Limited's Mines are situated in the Rakha Hills in the District of Singbhum, Chota Nagpur. The Cape Copper Company itself acquired various mining leases and prospecting licenses, all, in March 1913 after having done a considerable amount of development work under a working option. Complete plant consisting of Power House, Hoists, Pumps, Concentrating Mill and Smelter was brought out from England at an expenditure of over £3,60,000. Owing to the war and consequent delays in getting Machinery and replacing parts lost at sea, the production of Copper did not start till July 1919.

Up to date no profit has been made. India is well found in supplies of Coal, Iron Ore and the necessary Fluxes which are required for the refining of this Company's products, but at the same time, the work of the mines has been greatly hindered owing to the difficulties in obtaining adequate supplies of Coal, Coke and Fluxes, due to the constant recurring failure of the Railways to supply necessary carrying facilities.

Another difficulty with which this Company is faced and which renders it difficult to compete for production with Imported Copper, is, that in common with other Metallurgical activities in this country, it is found in spite of the comparatively low rates paid, the Indian Labour is still so inefficient until it is further trained, as to be more costly than Labour in other countries where mining and smelter industries have been long established, and further necessitates a very expensive staff for supervision, though we feel confident that if the industry is encouraged in its early stages, these disabilities will gradually reduce.

Imports for Copper in this country amounted during the year 1919-1920 in the form of Ingots to over 7,816 tons and in the form of Braziers and Sheets to 5,848 tons. The maximum output at present from the mines per annum is about 3,500 tons of Ingot Copper, so that the full output of the mines would be easily absorbed by the requirements of the country. Provided the Company is enabled to meet the great difficulties with which it is at present faced, its intention is to expand the working of the same by putting down Copper Sheet Rolling Mills.

In addition to this, we claim that the industry is largely essential for the National security of the country in case of war, as its products are used to a large extent in the manufacture of Ammunition, etc., and should the country be dependent on imported copper for this purpose, considerable danger is being run of the seaborne traffic being interfered with by international complications.

We consider that the maintenance of the present Import Duty of 11 per cent., provided with it went improved Railway facilities so as to ensure the steady supply of raw materials to keep the mines working at their full capacity, that this duty would be sufficient to build up the industry, but conditions are so difficult at present, that with a free trade basis, far from the industry being developed, it could not exist, and unless the owners can work the mines at a profit, which at present is problematical, the Company's future is uncertain.

We would also specially urge very strongly that the Government who are one of the biggest users of Copper in this country, should, when buying, take into account the Import Duty in comparing the prices of Foreign and Indian Copper. This at the present moment is not done, with the result that it is found to be impossible for the Mines to produce Copper at a paying rate to meet the requirements of Government, seeing that the Company is called upon to compete with a price which does not include the Import Duty of 11 per cent., and we would ask in addition to the maintenance of the 11 per cent. Import Duty, that arrangements should be made by which the help afforded by this duty should not be largely neutralised as at present by the Government Departments importing their supplies duty-free.

Oral evidence of Mr. Stuart representing Messrs. Balmer Lawrie & Co., Calcutta, dated the 17th January 1922.

11883. *President:* *Q.* You appear here as a representative of Messrs. Balmer Lawrie & Company.

A. Yes.

11884. *Q.* And you are dealing, on the present occasion, with the copper mining industry.

A. We are the selling agents of Messrs. The Cape Copper Co. We do all the selling for them in India.

11885. *Q.* The Cape Copper Co., Ltd., is a joint stock Co.

A. That is so.

11886. *Q.* Is it registered in India?

A. No, it is registered in England. It is an English company and its mines are in South Africa. They have got mines also in this country. In 1919 they actually started raising copper in this country.

11887. *Q.* You are dealing with mines in India.

A. Yes.

11888. *Q.* These mines are situated in the district of Singhbhum, Chota Nagpur.

A. That is so.

11889. *Q.* The Company was originally registered in London for copper mining in South Africa.

A. In other parts of the world.

11890. *Q.* When were they established in India?

A. They started work in 1919. Before that, they were prospecting here for some years on a working option. In 1919, they started refining copper in this country.

11891. *Q.* Refining copper; that is to say, do they import and refine it here?

A. No, they mine it in India and refine it.

11892. *Q.* For the markets.

A. Yes.

11893. *Q.* They do it through their representatives, and they have got no office in India.

A. No.

11894. *Q.* The whole capital is subscribed in England.

A. Yes.

11895. *Q.* You say that the work of the mines has been greatly hindered "owing to the difficulties in obtaining adequate supplies of Coal, Coke and Fluxes, due to the constant recurring" failure of the railways to supply necessary carrying facilities. Will you please explain this in greater detail?

A. To enable us to raise and refine copper to the full capacity of what can be mined from the mines, it is essential to have large supplies of Coal, Coke and Fluxes. Frequently owing to the inability to obtain a sufficient number of wagons and for other causes it has not been possible for the mines to have their full complement of Coal, Coke and Fluxes which have to be brought from some distance to the mines with the result that work suffers. I do not think that the output has been steadily more than 50 per cent. than what it should have been during the year 1921.

11896. *Q.* Your difficulty is merely an inadequacy of the supply of wagons.

A. Mainly, though it has improved recently. The supplies have been much better during the recent months.

Q. These difficulties were of a temporary character then.

A. These exist still, but they are improving.

11897. *Q.* Will you please refer to paragraph 4 of your written statement. I take it that what you mean is that the actual money value of the output of work by the Indian labourer is comparatively smaller than the output of work by the more expensive labourer in other parts of the world?

A. Yes.

11998. *Q.* In your opinion the maintenance of the recent import duty of 11 per cent. with improved railway facilities would be adequate to build up your industry?

A. Yes. This company is a pioneer company for copper mining in India. The point that we particularly feel is that this company is able or should be able provided it can continue to carry on its activities, to raise the latent mineral wealth which is to be found in certain parts of India. Around this particular part of India there is a belt of about 80 miles which contains indications of copper and there are also signs of ancient workings of many, many years ago. Despite the difficulties that the company like all pioneer companies have met with, the results so far obtained by the company have certainly been sufficiently promising to induce at least two other companies to start prospecting in the same area. Those two companies are the Cordover Company and the North Anantapur Company which is known in Southern India. They are now prospecting in their particular areas but have not yet started actual mining. If a definite success is made by this pioneer company, the Cape Copper Company out here, we feel that there is no doubt that other mines will be opened up by those people who are now prospecting or others and that the mineral wealth of the country which at present lies dormant down there will be made use of. But should the company be unable to carry on and become a failure we feel that the development of further copper mining in this particular area at any rate will receive a serious set back and on that point we claim that it is an industry which might be helped for some time at least until it is able to find its feet.

11899. *Q.* The point that I wanted to make was this. You think that at present the duty of 11 per cent. is adequate to give you all the necessary help in establishing this industry. The only point that you really make as far as I understand you—please explain more fully if you like—provided railway facilities were made available and the basis of the 11 per cent. duty was made protective instead of revenue, that is to say, the duty on which you could rely for protective purposes, you would be satisfied. Is that it?

A. Provided that the company were able to get a steady outturn from the mines which is largely dependent on other raw materials such as Coal, Coke and Fluxes for which we depend on the railways to a large extent, we reckon that we could compete with the imported copper while the import duty stands at 11 per cent.

11900. *Q.* That is to say, you want to be assured that the 11 per cent. will be maintained as a matter of protection and will not be varied for considerations of revenue.

A. That is so.

11901. *Q.* Then the next point you urge is that all purchases made by Government should pay the import duty of 11 per cent. Though it is merely a book entry, still in determining the price of their purchases, they must take the 11 per cent. duty in order to get at the competing price. Is that what you mean?

A. Yes.

11902. *Sir Edgar Holberton:* *Q.* The Cape Copper Company came out here some time before 1913?

A. I believe so. We were not then connected with them.

11903. *Q.* They acquired leases and so on. They were more or less established by 1919.

A. They started to produce copper in 1919.

11904. *Q.* When they first took up licenses and leases, there was no import duty. Was there?

A. I understand there was a duty of $7\frac{1}{2}$ per cent. Our superintendent informed me that it was one of the inducements to come to this country.

11905. *Q.* He told you that it was one of the inducements to come to this country.

A. They knew that any pioneer concern might meet with difficulties here. There was a duty of 7½ per cent. which has since been raised.

11906. *Q.* The rise in the duty to 11 per cent. has been an unexpected assistance to you?

A. Equally, Sir, there have been unexpected difficulties in the matter of obtaining our raw materials owing to restricted railway facilities. Before the war the wagon shortage was not so acute.

11907. *Q.* The only difficulty in this excellent industry is wagon shortage. All the other things are commercial possibilities for good and evil which these people had naturally thoroughly examined and considered before they invested this very large capital of £3,60,000. Apart from wagon shortage is there any other difficulty which you think they have not or could not have foreseen?

A. They met with what every pioneer concern has to in training its labour and other difficulties but not beyond what they foresaw as far as I am aware.

11908. *Q.* Would the Cape Copper Company be able to compete with imported copper if they could get their wagons?

A. If they could get a steady outturn to the full capacity of their plant they could compete with the 11 per cent.

11909. *Sir Maneckjee Dadabhoy:* *Q.* How could Government help production?

A. It is all a question of getting supplies. We have got an enormous capital charge. It is a new trade out here. It has to have trained supervision and as time goes on they will be training more and more Indians to carry on. As they begin to produce better the supervision-charges may be reduced or fall through.

11910. *Q.* This is really a commercial proposition?

A. Yes.

11911. *Q.* Do you want the duty to be raised?

A. We only want the present duty to be kept on.

11912. *Mr. Narrottam Morarjee:* *Q.* What is the total output of copper in India?

A. At the present moment I think this is the only copper-producing company in India.

11913. *Q.* There is no competition with any Indian copper?

A. I don't think we ever go into any competition with any Indian copper.

11914. *Mr. Coyajee:* *Q.* Whence do you draw your supplies of Coal, Coke, Fluxes, etc?

A. From the Sejooah fields I think, I am not certain.

11915. *Q.* Is there enough iron ore?

A. We are quite close to Tatanagar.

11916. *Q.* As regards labour after 3 years' training you find that their efficiency is increasing fairly tangibly?

A. There is an improvement.

11917. *Q.* In proportion to the wages which you must have had to raise you find that labour has improved.

A. Yes. They are learning the work and when they originally started, they did not know anything.

11918. *Q.* Has there been any rise in prices?

A. There has been a very considerable fall in price in 1919 and in the beginning of 1920. Copper was selling in Calcutta here approximately at Rs. 80 to 90 per cwt., but the price to-day is only Rs. 67. It has been considerably lowered.

11919. *Q.* Might I enquire why the prices have fallen? Is the fall in price due to the cheapness of the imported article?

A. Copper is entirely controlled by the import price. We sell at the import price which bears no relation whatsoever to what it costs to produce the copper.

11920. *Q.* That must have added another difficulty?

A. Yes. That is because we are not producing enough copper.

11921. *Q.* And also because the prices of imports are coming down for some reason?

A. They would go back.

11922. *Q.* Will you kindly explain in the light of your statement the following sentence which occurs in the last "Review of the trade of India" "While the quantity of copper imports chiefly ingot remained practically stationery at 15,000 tons the value has increased from Rs. 210 lakhs to 261 lakhs."

A. What year is that?

11923. *Q.* I am talking of 1920-21.

A. I cannot. The price of refined copper, I have already told you, was towards the beginning of 1920 approximately between 80 and 90 per cwt.

11924. *Q.* Supposing there was no possibility of improvement of railway facilities, what import duty would you then require to save the industry?

A. I would not like to say. I think that it would be very big.

11925. *Mr. Rhodes.*—*Q.* Your company is registered at home?

A. Yes.

11926. *Q.* One of the probable arrivals is also an English company.

A. I believe so. If not Indian, it is either English or Spanish.

11927. *Q.* You make a definite statement at the end of your statement that the Company is called upon to compete with a price which does not include the import duty. Several witnesses have expressed to us this view but have you any definite information?

A. Yes. We have been in treaty with the Ordnance Department in Calcutta for the supply of copper. They were anxious to obtain Indian copper partly I understand to reduce their stock and also naturally to take what can be had in India, provided the commodity was up to sample. They did very careful tests of our copper and they agreed that it was up to the sample and would suit their requirements but we were called upon to supply them with copper at the London f.o.b. rate without duty and deliver f.o.r. Ishapore. All that we got was the Australian freight because the copper which they get now comes from Australia. It was recommended that we should sell on a sliding scale on production gradually decreasing to a price allowing no duty when we were able to supply their full requirements. Our London Directors said that they could not carry on on these terms because the price we got was such that they could not produce copper at a profit. Government had to be supplied at about Rs. 50 per cwt. If we sell to the market we get Rs. 67.

11928. *Q.* In other words Government refused to allow you any protection from the present revenue tariff.

A. Absolutely.

11929. *Q.* As far as the Government is concerned, it has no value at all.

A. No.

11930. *Sir Maneckjee Dadabhoy:* Q. This is a branch of the other company, the Cape Copper Co.

A. Yes.

11931. *Q.* John Taylor & Sons have an interest in it, I understand.

A. I believe so.

11932. *Q.* They also own the Kolar Gold Fields.

A. Yes.

11933. *Q.* Have you got any European labour there?

A. We have. There are 2,000 Indians employed and 21 Europeans in the work of supervision.

11934. *Q.* Are Indians employed in any other capacity than actual manual labour?

A. The chemists are Indians, all the electrical side are Indians, the fitting shop foreman is an Indian. There are a certain number of other Indians also being trained.

11935. *Q.* Are you endeavouring to train up Indians in the higher technique?

A. Yes.

11936. *Q.* You don't export any portion of the copper raised here.

A. All is consumed locally.

11937. *Q.* And purchased by Government mainly?

A. None of it goes to Government.

11938. *Q.* Is it purchased by local consumers?

A. Yes.

11939. *Q.* Out of 7,860 tons which I understand is the total amount of the import, you are producing nearly 50 per cent, *i.e.*, 3,500 tons?

A. That is the maximum output. We are not producing that because we cannot get enough raw materials.

11940. *Q.* How much are you producing?

A. On an average about 1,250 tons a year, that is about 50 per cent. of our maximum output.

11941. *Q.* Are separate accounts kept of the Indian business?

A. I cannot tell you. We only do the selling portion.

11942. *Q.* Is any income-tax separately assessed on the profits?

A. I am afraid I don't know.

11943. *Q.* Two other companies have started operatio?

A. They are only prospecting now. I think they are largely watching to see what happens to the Cape Copper Company.

11944. *Q.* Is that a fact that there was a 7½ per cent. duty when you started? Are you sure of that?

A. I am not sure.

11945. *Q.* All that you want is railway facilities and 11 per cent.

A. Yes.

11946. *Q.* For how long would you require this duty?

A. Until we are in a position to produce, *i.e.*, until we are thoroughly settled in the country and able to show that we can produce copper at competitive rates which is largely a matter of training of the men and largely a matter of getting sufficient output. Then I don't see why we should not compete with the imported copper. As long as the industry is a pioneer industry and finding its feet, we think we can claim some concession.

11947. *Q.* Do you think that you have any competition with Burma?

A. I don't think so. The only copper we are up against is Australian copper and European copper and there is also a certain amount of Japanese copper.

11948. *Mr. Rhodes: Q.* You said that you were offered the f. o. b. rate London because they reckoned that was what they had to pay for Australian copper.

A. What they did was they took the average rate of three or four home journals on a certain date and offered us the London f. o. b. rate as equivalent to delivery f. o. r. Ishapore.

Witness No. 80.

The Indian Tea Association, Calcutta.

Written evidence dated the 13th January 1922.

I am directed to refer to your letter No. 148, dated the 14th October 1921, forwarding a list of the questions prepared for witness submitting written evidence to the Indian Fiscal Commission, and inviting an expression of the opinion of this Association on such of the points as they may wish to deal with. The Association desire to submit the following brief statement indicating their views on the points which principally affect them as producers of tea.

11949. *Q.* 2. The first question enquires whether, as a policy, free trade or protection is favoured; and if the former, whether any objection is taken to the imposition of customs duties for the purpose of obtaining revenue. In replying to this question, the Association would like to refer to section B of the questionnaire, dealing with the subject of imperial preference. So far as the tea industry is concerned, it is considered that a policy of imperial preference would probably have certain advantages in that it would allow of the import of tea into certain countries at concession rates. Their leaning is therefore towards imperial preference, but not on an unlimited scale, for they would make reciprocity the basis. They would not desire to see the tariff used in any aggressive way. The first function of a tariff should in their opinion, be to raise revenue, for they consider that a tariff provides a more suitable method of taxation than does direct taxation, but due care should be taken to ensure that the tariff is maintained within reasonable limits. Generally speaking, the principles on which the present tariff is based are considered to be fair. It is right that luxuries should be more heavily taxed than necessaries, and that such items as agricultural machinery and railway material should be admitted at concession rates. The Association have not considered the list of articles taxed with a view to putting forward any suggestions for change, for they think that this is a matter which should be examined by an expert commission.

11950. *Q.* 3. In reply to question No. 5 I am directed to say that the tea industry has for many years past shown a steady record of expansion in India. How far its progress has been affected by the tariff policy of Government they find it difficult to say, but they do not think there is any reason to apprehend that a continuance of such policy would materially prejudice its further expansion. With regard to Questions Nos. 6, 7 and 8 the Association are inclined to think that the imposition of an excise duty on locally manufactured articles, corresponding to an import duty on the same articles coming from abroad, would in the majority of cases be difficult of application; and if an excise duty were adopted, the natural result would be to react on the price to the consumer. In reply to Question No. 9, the Association consider, as they have already said, that the primary object of the tariff should be to produce revenue. It does not, of course, necessarily follow that it could not also be used for the purpose of fostering Indian industries, but this should be regarded strictly as subordinate to the raising of revenue. Then, with reference to Question No. 10, the industrial development of India to date, although greatly accelerated during the war, is not such as leads the Association to conceive that India will in the near future be independent of other countries as regards her requirements of manufactured goods.

11951. *Q.* 4. Turning to Questions Nos. 11—19, subject to what has already been said regarding the use of the tariff for aiding the development of Indian Industries, the Association would reply that protective duties should not be introduced for this secondary purpose unless it is evident that the industries to be protected are suited to India as regards circumstances and conditions. They would certainly not favour an indiscriminate tariff on all imported goods, and requests for protection should be investigated by an expert commission and be accepted only when such acceptance was considered to be to the advantage of the country. Protection should be afforded only to industries which have a reasonable chance of being able, after a time, to face foreign competition without undue assistance, and should not be given in cases where assistance could not in all probability, be dispensed with after a reasonable time. The question whether special protection should be granted against foreign goods favoured by such measures as dumping, bounties, etc., would be matters for enquiry by the commission. With regard to Question No. 16, the Association do not consider that hand industries should be specially assisted at the expense of the tax-payer. It is, speaking generally, an accepted fact that goods can be manufactured more cheaply by power than by hand, and any protection in favour of handloom industries would generally react on the consumer. It is considered probable--Question No. 17—that protected manufacturers might combine to maintain a *quasi*-monopoly price, and adequate safeguards would have to be provided to meet this risk. And it is certainly possible that under a protective tariff British or foreign industrial firms might establish themselves here, but the Association would not be antagonistic to such a development. Question No. 19 does not specially affect the tea industry, but in any case the points raised in it would be suitable for investigation by the expert commission suggested.

11952. *Q.* 5. Questions Nos. 20—24 relate to the effect of protection, on prices and on the consumer. The Association are of opinion that when an import duty is imposed the amount of it is ordinarily passed on to the consumer, particularly if demand should be in excess of supply, but there are no doubt cases, due to other factors, where this is not the case; there might, for instance, be sufficiently strong competition from local production to prevent at any rate the whole of the duty being passed on to the consumer by a rise in price. It is difficult to answer Question No. 21 without qualification, but in the ordinary course it would be likely that any rise in price following on the imposition of an import duty would—in the absence of other conditions— continue as long as the duty remained in force. With regard to Questions Nos. 22 and

23, the Association's view is, as explained above, that the promotion of internal industrial development should not be the primary object of a tariff; but if such development were likely to be assisted by a tariff on a particular article, the Association do not think that they would necessarily take exception to its imposition solely on the ground that it would increase the price to the Indian consumer. It is difficult to say how far wages would respond to an increase in the cost of living caused by an increase in tariff rates, but if wages tended to rise in sympathy such a movement would be likely to come first with regard to the industrial wage earner, more slowly for the agricultural classes, and still more slowly for the middle classes. The effect of a policy of protection on the foreign trade of India, and on the general commercial position and prospects of the country, would naturally depend on the extent to which the policy was adopted. The indiscriminate imposition of protective duties would almost certainly affect foreign trade, and this Association would not be disposed to advocate such a policy; for, as stated, they favour a reciprocal, and not an aggressive, policy. And it would, they think, be necessary to appoint a commission such as has been proposed, who would investigate the claims of each industry asking protection.

11953. *Q.* 6. With regard to export duties, this Association consider these to be economically unsound except as a method of raising revenue; and in such a contingency an export duty is justifiable only when the article assessed is a monopoly of the country of export. In particular the Association have all along taken very strong exception to the imposition of an export duty on tea, which is not a monopoly. Tea from Java pays no export duty and it has, therefore, a definite advantage, in competing with Indian tea in certain outside markets where no preference is afforded to Indian tea, over the product of the latter country; this advantage is additional to other advantages which Java already possesses, such as its geographical position with reference to Australia. The Fiscal Commission are probably aware that the industry have consistently pressed for the abolition of the duty, which was first imposed in 1916 when the Government of India were considering ways and means to produce additional revenue to meet war time expenditure. The industry pressed Government, without success, for a declaration that it would be regarded as a war measure, to be withdrawn with the cessation of hostilities; but so far as the industry itself is concerned it has always been regarded in this light, and every effort has been made within recent years to have the duty withdrawn. It is not necessary for the Association to trouble the Commission with statements regarding the recent acute position of the tea industry.

11954. *Q.* 7. The Association have already stated—paragraph 2 above—that they favour imperial preference with reciprocity as its basis. While this is so, they think it would be premature to introduce such a policy until trade conditions become more normal. They do not think that its adoption would be detrimental to the interests of the industry they represent.

11955. *Q.* 8. The Association are not dealing with section C—Manufactures—for they look upon themselves as agriculturists, and not as manufacturers; and it is rather from this point of view that they have dealt with the question. As, however, their commodity is exported, it may be convenient for the Association to answer very briefly some of the questions in section D, dealing with the export trade. They have given their views on the export duty on tea, and they need only add that they very strongly recommend its abolition at the earliest possible moment. They are of opinion that if British-grown tea were granted a preference throughout the British Empire the consumption of Indian tea would be increased, and so therefore would the demand. Reference has been made above to the disadvantage under which India competes with Java in certain markets, and Australia is a notable example. The Association feel confident that if the Commonwealth Government conceded a preferential rate of duty to British-grown teas, this would go far towards increasing the consumption of Indian tea in that country. The following are the figures of exports from India to Australia for the last six years, and in this connection it is instructive to note that the export duty was introduced as from March 1916 :—

	million lbs.
1915-16	9
1916-17	4½
1917-18	10
1918-19	7
1919-20	7
1920-21	6

As against these figures the exports of Java tea to Australia during the corresponding calender years were :—

	million lbs.
1915	7
1916	6
1917	11½
1918	11½
1919	16
1920	20

9. In conclusion, I am to say that Mr. T. C. Crawford, the Chairman of this Association, is prepared, if required, to give oral evidence to the Commission.

Mr. T. C. CRAWFORD, Chairman of the Indian Tea Association, Calcutta.

Oral evidence, dated the 18th January 1922.

11956. *President—Q.* You represent the India Tea Association ?

A. Yes, Sir.

11957. *Q.* In paragraph 2 of their statement your Association indicate how Imperial Preference on a basis of reciprocity would be helpful to your industry ?

A. Yes.

11958. *Q.* May I know which are your competing countries ?

A. Java and China, principally.

11959. *Q.* What qualities of tea do China and Java produce as compared to Indian tea ?

A. It is a difficult question. In Darjeeling you have the very best quality. China tea competes more with our Darjeeling tea, and Java competes with our Assam tea. Java produces quite useful tea.

11960. *Q.* Is there any truth in the report that China tea is generally used by the better classes while Indian tea is used by the middle and lower classes ?

A. It may be. Better class China tea, as a rule, is more expensive.

11961. *Q.* Is it more expensive because it is seperior in quality ?

A. It is rather difficult to say exactly.

11962. *Q.* Why is it selling at higher prices ?

A. There is superiority in quality as a rule. On the other hand, many expensive Indian teas are blended with the result that the consumer does not feel the top price in tea. For instance, we produce in Darjeeling high class tea, but it is not actually consumed by itself, but is blended. China tea is blended to a certain extent, but there is a very considerable trade for it by itself.

11963. *Q.* Can you say if China competes with India on equal qualities ?

A. With some grades of Indian tea; they compete with the Darjeeling tea and the higher grades of Assam tea, and there is a certain proportion of China tea which competes with lower grade Indian tea. Java tea competes generally with Indian tea.

11964. *Q.* You do not think that the continuance of the present fiscal policy which has prevailed for so many years, will in any way prejudice the expansion of your industry ?

A. No. The industry has been expanding ever since it started. In 1867 we exported 8 million lbs. of tea and in 1919-20 we exported 336 million lbs.

11965. *Q.* As regards the general policy affecting industries your Association say in paragraph 4 of their statement that they would reply "that protective duties should not be introduced for this secondary purpose unless it is evident that the industries to be protected are suited to India as regards circumstances and conditions." That means, I presume, that the fiscal policy should be adapted to local circumstances and conditions ?

A. As far as possible.

11966. *Q.* And in cases where such circumstances and conditions justify the granting of protection, the Association would have no objection to giving protection ?

A. We are not in favour of an aggressive policy of protection. Take for instance a small industry in India which only employs 200 people. You are not going to protect that industry at the expense of imports generally.

11967. *Q.* I am only asking you what your Association stands for. They have given their answer in a negative form. I am asking my question now in a positive form. Would you grant protection to industries which are suited as regards circumstances and conditions ?

A. Yes, but only after careful examination.

11968. *Q.* That goes without saying. You say that requests for protection should be investigated by an expert commission. What would be the constitution of that commission.

A. I should say a commission drawn from experts in India.

11969. *Q.* What is your definition of 'experts' ?

A. Persons who have some knowledge of the particular business they are dealing with.

11970. *Q.* Do you mean direct knowledge in the way of being interested in the industry ?

A. There should be a certain number who have some interest in the industry. If you are dealing with piecegoods it is only natural to expect that certain people interested in piecegoods would be on the commission, although you may have to associate with them people conversant with Indian trade conditions.

11971. *Q.* Then your idea would be a commission of experts, that is to say people who are qualified to form an independent and impartial judgment. Where would you get such men ?

A. Well, where did you get this Fiscal Commission ? We find here men with experience in Indian trade conditions.

11972. *Q.* This is after all a temporary commission and their term of office will be over as soon as they have made their recommendations. Would you like your Commission to be of a permanent character ?

A. I am afrad it should more or less be of a permanent character.

11973. *Sir Maneckjee Dadabhoy*—*Q.* China and Java have a very large market in Australia ?

A. Particularly Java.

11974. *Q.* And China and Java on account of their close proximity with Australia will always be in an advantageous position in Australia ?

A. Java particularly : I do not say China.

11975. *Q.* And Java would always be in an advantageous position on account of freight ?

A. Also there is no export duty.

11976. *Q.* Do the Australians prefer Indian tea to Chinese and Java tea ?

A. I would not like to speak about China tea, but I would speak about Java tea. It is a mere matter of price.

11977. *Q.* And where is the Chinese tea largely exported to ?

A. China exported large quantities of tea to America, but during the recent slump the export of tea from China is just a fraction of what it was in pre-war days.

11978. *Q.* Is Indian tea largely exported to America ?

A. Yes, very extensively.

11979. *Q.* More than the United Kingdom ?

A. No.

11980. *Q.* What percentage of it ?

A. It is very difficult to say. I have not got statistics for the United Kingdom. But in 1916-17 we shipped direct from Calcutta to Canada 8 million lbs. of tea and to America about 3½ million lbs. Most of our American trade is done through London,

11981. *Q.* There is direct shipping ?

A. There is a certain amount going direct, but most of our tea goes through London. During the war we exported direct, owing to export restrictions in the United Kingdom.

11982. *Q.* Otherwise it goes through the United Kingdom ?

A. A large part of it goes through the United Kingdom.

11983. *Q.* Who is your biggest competitor in the American market, China or Java ?

A. They are both competitors in the American market.

11984. *Q.* Have both China and Java no export duties ?

A. Java certainly has not : but I do not know whether China has.

11985. *Q.* You say "In particular the Association have all along taken very strong exception to the imposition of an export duty on tea, which is not a monopoly. Tea from Java pays no export duty and it has therefore a definite advantage in competing with Indian tea in certain outside markets." What are those outside markets ?

A. South Africa, Australia and North and South America.

11986. *Q.* And you made representations to Government and no attention was paid to them ? What answer did they give you ?

A. They said they wanted the money for revenue purposes. I think Mr. Rhodes can give you information on that point.

11987. *Q.* You say "It is not necessary for the Association to trouble the Commission with statements regarding the recent acute position of the tea industry." I think it is very necessary for the Commission to know how far an export duty does affect you ?

A. In regard to the last season in particular, owing to over-production and owing to the exchange position the majority of the companies, with a very few exceptions made very heavy losses. One large company lost in the neighbourhood of £240,000 on last year's operations.

11988. *Q.* Has your cost of production risen lately ?

A. To some extent it has.

11989. *Q.* To what percentage ?

A. Within the last few years tea chests have increased in price ; machinery has increased appreciably and also there is additional expenditure on labour.

11990. *Q.* Have you had labour troubles ?

A. We had labour troubles and we still have some here and there.

11991. *Q.* Were those labour troubles economic or due to other causes ?

A. We maintain they are owing to political agitation.

11992. *Q.* You say you favour a policy of Imperial Preference on a basis of reciprocity. Then you say "It would be premature to introduce such a policy until trade conditions become more normal." May I know when you would like to introduce it ? When do you think normal conditions will be restored in regard to your industry ?

A. If Russia comes into the market for tea our trade position should be quite normal.

11993. *Q.* Where does Russia get her tea from ?

A. She is not importing tea at present, if she is it may be a very small quantity, but nothing like the previous years.

11994. *Q.* Till Russia is tranquilised and there is proper administration in Russia there is no chance of your getting into normal conditions ?

A. Things are better this year than last year, but still the position is abnormal : we have got heavy stocks at Home.

11995. *Q.* Do you think that India could gain anything by reciprocity, speaking from the point of view of the tea industry ?

A. Well, we get a preference in the United Kingdom at the present moment. It is considered that it has tended to increase the consumption of British grown tea there.

11996. *Q.* Then, you make out a case that from the point of view of your Association tea is an agricultural industry and as such it ought to be encouraged and supported ?

A. Yes,

11997. *Q.* Does it not become a manufacturing industry at some stage ?

A. So the High Court rules. We had a case in the High Court and it was ruled that part of our process was manufacture. But we maintain that we are entirely agricultural.

11998. *Q.* That is in connection with income-tax. Part of your industry has been held liable to income-tax on account of its manufacturing process ?

A. Yes, but we still maintain that we are agriculturists.

11999. *Q.* You have given some figures at the end of your written statement. Do you really attribute these figures to the export duty ?

A. Not entirely. It must follow that if Java tea is not put on the same basis as ours in regard to Australia, they must seek other markets.

12000. *Q.* The corresponding reduction in Indian exports as compared with the Java exports is not wholly due to the export duty ?

A. Not wholly.

12001. *Mr. Mant—Q.* From your answer to the President just now, I understand that your chief competitors are China and Java. Have you not a large competitor in Ceylon ?

A. I should certainly include Ceylon, but I am afraid I grouped Ceylon with ourselves.

12002. *Q.* You said in answer to Sir Maneckjee Dadabhoy, that the slump in the trade was due partly to over production and partly to the exchange factor ? That got you lower prices ?

A. The supply was more than the demand.

12003. *Q.* Was that due mainly to an increase in the supply or to a reduction in the demand ?

A. Of course there has been considerable reduction in the demand since Russia went out of the market, because she used to take over 30 million lbs. of tea from the Calcutta market.

12004. *Q.* By far your largest market is the United Kingdom ?

A. Yes.

12005. *Q.* In fact the United Kingdom seems to take about 45 per cent. of the world's total consumption ?

A. The United Kingdom should be taken as a distributing centre.

12006. *Q.* Can you tell us where the tea re-exported from the United Kingdom goes to ?

A. It goes to Canada, United States and continental countries. In the Continent we have got considerable competition from Java. In prewar days a large quantity went to Russia.

12007. *Q.* Does Indian tea go to Canada from the United Kingdom ?

A. Yes.

12008. *Q.* Do you get the Canadian rebate on this tea ?

A. Yes.

12009. *Q.* Is not internal consumption in India increasing ?

A. Yes, it has increased to between 40 and 50 million lbs. Reliable statistics are difficult to obtain.

12010. *Q.* Russia, you say, has gone out of the market. Has there been increased demand from the United States in consequence of the prohibition there ?

A. Not what we expected.

12011. *Q.* Well, looking to future demands as a whole, do you think, that the outlook is satisfactory ?

A. Yes, provided we do not over produce and do not produce inferior teas.

12012. *Q.* Have you got any difficulty in restricting production ?

A. We could not get an agreement, but market conditions have necessitated every one restricting production and producing good tea.

12013. *Q.* You could not do it effectively by agreement ?

A. No, we could not arrive at an agreement.

12014. *Q.* Referring to Imperial preference which your Association advocates, were you not consulted on the subject a few years ago by the Government of India in connection with their trade policy after the war, and did not your Association express an opinion ?

A. I do not recollect.

12015. *Q.* Well, it will be on the record of your Association. I understand that the view taken by your Association was that if preference was given in the Empire you would be likely to meet with increased competition in neutral markets and therefore were doubtful of the advantage of Imperial preference. Have you any recollection of that ?

A. I do not recollect : was it many years ago ?

12016. *Q.* Within the last three years, early in 1919 ?

A. No ; I was not Chairman then.

12017. *Q.* I understand that that is a fact, but it now appears that your Association have changed their views on the subject. However, if you have no knowledge of it, I will not pursue that point. You already have a preference, I understand, in the United Kingdom, in Canada and in New Zealand ?

A. Yes.

12018. *Q.* And you want to get it in Australia. Have you any suggestion to make for a reciprocal arrangement with Australia ?

A. I am afraid I cannot suggest anything.

12019. *Q.* You cannot suggest any advantage that we could give them in return for preference for our tea ?

A. No.

12020. *Q.* Coming to the export duty the present rate is Re. 1-8 per 100 lbs. of tea. Can you tell us what would be equivalent *ad valorem* rates ?

A. We have tried to work it out, but there is so much tea exported that it is difficult to specify the grades.

12021. *Q.* Roughly what is the value per lb. of low grade tea ?

A. It is now 12 annas, but a year ago we sold it for 3 annas.

12022. *Q.* Supposing the duty is continued would your Association prefer it to be specific or *ad valorem* ? I know you do not favour the duty at all, but supposing you have got an export tariff which is the less obnoxious form ?

A. It is a question of application. I say that it is difficult of application. The difficulty with regard to the *ad valorem* basis is that Government would need to state the values of the tea. I would not like to say anything definite myself as representing the Association.

12023. *Q.* Obviously the present arrangement constitutes a heavier tax on low grade teas rather than on high grade teas. Broadly speaking, does that suit the circumstances of your industry ?

A. It does not suit us well.

12024. *Q.* Can you give an opinion as to which kind of duty your Association would prefer, assuming that the duty is to be either *ad valorem* or specific ?

A. I could not. We want to get the duty off. We have never definitely considered it.

12025. *Q.* Has that question not been referred to your Association by Government ?

A. It was suggested during a conference, but there was no definite reference.

12026. *Q.* You cannot give any opinion on it ?

A. No. Not without consulting the trade.

12027. *Mr. Rhodes—Q.* When your tea gets into the foreign countries, England and elsewhere, you told us that it comes into direct competition with Java tea and I suppose the price is regulated to a great extent by the price at which the Java tea is sold ?

A. Not necessarily so, for the question of supply has also to be considered. If there is a large supply, naturally prices are easier.

12028. *Q.* When the Java tea comes into the market your tea has to compete with it. Therefore if the Java tea is cheaper it has the sale, other things being equal, is it not ?

A. Yes.

12029. *Q.* Don't you think that shows that the export duty which you are charged at present has actually to be paid by the industry in India ? Owing to the competition of the Java tea you cannot get it out of the consumer, I presume.

A. Yes. That is so.

12030. *Q.* Therefore it is a tax on the industry ?

A. Certainly.

12031. *Q.* It is a tax on the industry and prevents you from making large profits.

A. Yes.

12032. *Q.* An income tax would not be a tax on the industry but on profits, and therefore it is more desirable ?

A. Yes.

12033. *Q.* Therefore you would rather have your profits taxed than the industry itself ?

A. Yes, certainly.

12034. *Q.* Java tea is still going ahead in England, so that the preference granted has not been of very great advantage ?

A. Java is extending her market. She must find markets for her produce. At the same time Java is extending outside markets. After the preferential duty was put on in the United Kingdom the exports of Java tea to America were very considerable.

12035. *Q.* I put a question to Mr. Mackenzie yesterday asking him with regard to the question of reciprocation which some people advocate whether Australia should get the benefit of being allowed to get our jute bags without an export duty from here if she gave preference to our tea. He would not give an answer to that question, I do not know whether you would like to give an answer to the question.

A. No.

12036. *Q.* If you succeed in getting preference from Australia would that release Java to compete with you elsewhere ?

A. Yes.

12037. *Q.* Would you be really any better off by this, because it will mean that Java will have to exploit other markets ?

A. That might help us indirectly.

12038. *Q.* But from the other point of view you would not really be very much better off. If it is shut out in one place it will compete in another place.

A. Yes.

12039. *Q.* That is the view of your Association to which Mr. Mant was referring.

A. The only point in regard to that is of course that Java has naturally got to exploit other markets.

12040. *Q.* In your paragraph 8 you take the view that tea is an agricultural industry. In paragraph 5 you say " It is difficult to say how far wages would respond to an increase in the cost of living caused by an increase in tariff rates, but if wages tended to rise in sympathy such a movement would be likely to come first with regard to the industrial wage earner, more slowly for the agricultural classes, and still more slowly for the middle classes." In that connection I presume that you would take the tea labourer as an industrial wage-earner.

A. I do not think that the tea labourer would feel any increase in the cost of living as quickly as the industrial labourer.

12041. *Q.* What I mean is that you would have to put your wages up quickly.

A. Yes, that is true.

12042. *Q.* Quicker than in the case of the ordinary agricultural labourer who has no organization.

But if general protection led to a big rise in the cost of living would the tea labourer feel it more than the industrial labourer ? The latter would very quickly get an increase in wages correspondingly.

A. Yes. But I do not think it will affect the tea labourer to the same extent as the industrial labourer. After all he has got his produce locally. His rice, for example. In regard to cloth only he may feel it.

12043. *Q.* A witness has told us in his written evidence that the tea labour would be better paid but for the bad condition of the tea industry, and he seems to think that it is due to the strikes and riots in recent times. I would like to have your views on that ?

A. I do not think it is quite politic for me to give my view on this question in view of the present Commission of enquiry in Assam.

12044. *Q.* We have been told that labour shares the prosperity of an industry. Would that happen in tea ?

A. In what way ?

12045. *Q.* I am not insinuating that your labour is under-paid. But I ask whether they would be better paid if your industry prospers ?

A. We have had under consideration the question of increasing the wages. When we began this consideration last year things were bad, and we had to stop it. I would rather not give any evidence on that point because there is at present a Commission of enquiry into wages.

12046. *Q.* Have you any views as regards the claim of the Planters' Association of Southern India for an import duty on tea ?

A. They are in a peculiar position in so far as they have got to meet competition from Ceylon.

12047. *Q.* They recommend a duty of 4 annas. Are you opposed to it ?

A. I don't think so. There is an increasing local consumption of tea in Southern India and I suppose they want it for themselves, by restricting Ceylon imports.

12048. *Q.* I understand that your chief trouble is the export duty ?

A. Yes.

12049. *Q.* The sole protection that you are asking for is the removal of that duty ?

A. Yes. That is what we primarily want. We think that the time has come for its removal.

12050. *Q.* Is there anything else that you want ? I suppose you do not want a heavy duty on agricultural machinery ?

A. No.

12051. *Q.* What other stores do you use ?

A. Tea chests, implements, etc. For tea chests I do not think 2½ per cent. is large. The duty is primarily for revenue purposes. I do not object to that.

12052. *Q.* We have witnesses coming before us on behalf of tea chests and ply wood. I think they have asked for an import duty on tea chests and ply wood. How would you view that ?

A. I do not see why they should not be able to compete with the home chests without an import duty.

12053. *Q.* You do not think they need protection ?

A. I would leave it to them to make their own case. I would like to see their arguments before making a definite statement. Meantime, I do not see why they should not be able to compete with the Home chests.

12054. *Q.* If they cannot, would you be prepared to impose a duty in order to help them?

A. I should like to go into the whole facts. They might possibly be over-capitalised.

12055. *Q.* Granted they really require protection would you be willing to give it to them ?

A. I do not see the point arises, because their ply wood and tea chests sell at present under Home prices.

12056. *Q.* If it did arise can you tell me what the attitude of your Association would be ?

A. I do not know. I would rather like to consider the facts before stating anything definitely.

12057. *Mr. Coyajee—Q.* Mr. Crawford, has the differential treatment which has been extended to your tea in the United Kingdom and Canada proved a substantial advantage to you ?

A. I think so.

12058. *Q.* In spite of this fact comparing 1919 and 1920 the percentage of consumption of Indian tea has fallen in the United Kingdom from 66 per cent. to 61 per cent.

A. That may be so. You are dealing with the statistics of 1919 and 1920. It would be a very difficult thing to go by statistics of these years because the industry was still not out of the war period. Things are not normal yet.

12059. *Q.* But for the preference Java tea would have made still further developments ?

A. Yes.

12060. *Q.* On the other hand you have asserted that on account of the preference given to Indian tea in the United Kingdom the tea from Java has been induced to compete more with Indian tea in the Australian and American markets.

A. Yes.

12061. *Q.* Balancing the loss and gain from this preferential treatment, do you think that the gain is greater or the loss ?

A. I should think the gain is greater. That is, as I have already explained, Java has got to exploit other markets.

12062. *Q.* Would you kindly throw some light on the phenomenon that Java can produce tea more cheaply than India ? What are the relative advantages of Java in the production of tea ?

A. I am sorry I could not say. I have no experience of Java tea.

12063. *Q.* But quality for quality Java can produce cheaper than India ?

A. I cannot give any figures in regard to the cost of production.

12064. *Q.* In regard to the export duty on tea of which you complain, would it satisfy you if the export duty was taken off from such Indian tea as was exported to Australia and retained on other exports of Indian tea ?

A. It would certainly be of assistance.

12065. *Q.* Do you think that there would be much difficulty in discriminating between tea exported to Australia and tea exported elsewhere ?

A. No.

12066. *Q.* Would it satisfy you if we remove the export duty on the Indian tea to Australia ?

A. That would not satisfy us. We would still have to meet very keen competition in other conntries.

12067. *Mr. Narottam Morarjee—Q.* Have you been sending tea to Russia since the war ?

A. We practically send no tea to Russia now.

12068. *Q.* How does Russia manage now ?

A. I could not say. They are so busy fighting that they have not got the time to drink tea.

12069. *Q.* In Java do they give any preferential treatment by way of bounties, subsidies and so on ?

A. I hear that there are subsidies, but I could not say with any authority.

12070. *Sir Edgar Holberton—Q.* You represent the Indian Tea Association. Do you speak also for Southern India?

A. I speak more directly for Assam and North India. South India is represented by the United Planters Association of Southern India, to whom Mr. Rhodes referred.

12071. *Q.* Could you give me an idea as to how many companies you represent ?

A. I could not say, but we represent over 90 per cent. of the industry in Northern India.

12072. *Q.* What is the capital ?

A. Over 20 millions sterling.

12073. *Q.* Are they mostly sterling companies ?

A. Chiefly. Indians also are opening up increasingly in tea. But it is difficult to give figures.

12074 *Q.* Is the industry as a whole in a state of expansion at present ?

A. Not expanding. There are some instances of gambling on the future position, but generally I think that we are holding fast.

12075 *Q.* You are going through rather a bad time, are you not ?

A. Yes.

12076. *Q.* Is it with regard to the whole of your tea or only with regard to the inferior qualities ?

A. More directly to the inferior qualities.

12077 *Q.* Are the inferior qualities grown in separate estates or everywhere ?

A. The inferior qualities are grown chiefly in Sylhet, Cachar and Lower Assam.

12078. *Q.* What markets are the lower grade teas despatched to ?

A. The bulk of the lower grades go to the United Kingdom, where they are distributed. I could not say how.

12079. *Q.* You do not know what happens to the stuff going there ?

A. No. We cannot follow any particular class of tea. There is a large amount of blending done there.

12080. *Q.* Is it a fact that the stress at the present moment has fallen largely on the lower grade producers ?

A. Yes.

12081. *Q.* As regards the higher grades, the producers can hold their own in the world markets ?

A. They have been able to. There is considerable demand for high class tea at home.

12082. *Q.* I suppose it would be possible in India to differentiate in treatment between classes ?

A. I think so, but it would be very difficult.

12083. *Q.* Would you favour any such idea as an export duty graded according to qualities and selling prices ?

A. I do not see how you could do it, because you have no fixed nominal prices here for the various classes of tea.

12084. *Q.* 6 crores worth are shipped to London and sold on the London market. Is it sold by auction ?

A. Yes.

12085. *Q.* As regards these gardens which produce inferior tea, is the inferiority due to any want of care or treatment ?

A. The methods of manufacture are identical. The inferority is due to climatic and soil conditions.

12086. *Q.* The estates producing lower grades of tea have suffered more than the estates producing high class tea. What has been the cause of the change ? Over-production all over the world ?

A. China is not producing so much tea now.

12087. *Q.* But Java is an increasing factor ?

A. Yes.

12088. *Q.* I think you told one of the members that you do not know to what extent Java tea is assisted by subsidies and other things.

A. No. I could not say. I could not even say whether Java tea gets subsidies.

12089. *Q.* You do not know what labour they use in the Java estates ?

A. I think Japanese labour chiefly.

12090. *Q.* Not Indians ?

A. No. The managers of estate are almost invariably Dutchmen.

12091. *Q.* Do the Indian tea estates upcountry do anything towards the training of Indians for the higher posts ?

A. Indian owned gardens are managed entirely by Indians.

12092. *Q.* Then there are Indian gardens ?

A. Yes. But on the European gardens Indians are generally employed as clerical staff. We bring the managers and assistants out from Home.

12093. *Q.* No experiments have really been made in this direction ?

A. I cannot say with regard to concerns in the Agency of my firm, we have two Indian managers on small estates, and they are quite satisfactory. But so far as the larger interests are concerned, we are entirely European-managed.

Witness No. 81.

Written statement dated the 17th January 1922.

Sir Nilratan Sircar, 7, Short Street, Calcutta,

12094. 1. Among the questions that have been framed by the Indian Fiscal Commission with a view to indicating the aspects of the enquiry undertaken by them and to eliciting the opinion of those engaged or interested in the various branches of industry and commerce on the future direction of Indian fiscal policy, the most important is that which seeks to determine whether the present free trade policy should in the interests of India be continued or a policy of protection adopted in its place. I am interested either in the capacity of director or as proprietor in (*a*) tanning, (*b*) soap, (*c*), glass, (*d*) sugar, (*e*) cutlery, (*f*) antiseptics, (*g*) coal, and (*h*) tea industries; and I desire to indicate in the light of my experience as briefly as possible some of the difficulties that, under the present fiscal policy

hamper the development of industries in India, and to point out how our industries may be fostered under a system of protection. Doubts have been expressed by people whether India may at any time be self-dependent in the matter of industries. It is stated in this connection that the result of protection would inevitably be that uneconomical industries will be maintained at the cost of national impoverishment. The experience gained during the war does not support this view. The Indian Industrial Commission have shown that if adequate and well-directed steps for industrial development are taken India may expect to be self-supporting and self-contained in the field of industries. Professor Less Smith in his work on "India and the Tariff Problem" quotes the opinion of Sir V. Ball who says: "Were India wholly isolated from the rest of the world or were her mineral productions protected from competition, there cannot be the least doubt that she would be able, from within her boundary, to supply very nearly all the requirements, in so far as mineral wealth is concerned, of a civilised community." In fact, as we have seen during the war, the isolation and difficulties of competition created by the war led to the development of industries in India that were formerly considered difficult of development. As the Indian Industrial Commission observe in their Report, the present commercial and industrial position in India has become in many ways disadvantageous to the interests of the country and India's industrial equipment is impaired by deficiencies which affect the interests of national safety. "The industrial system," the Commission add, "is unevenly, and in most cases inadequately developed; and the capitalists of the country, with a few notable exceptions, have till now left to other nations the works and the profit of manufacturing her raw materials, or have allowed them to remain unutilised. A powerful and well-directed stimulus is needed to start the economic development of India along the path of progress." Such a stimulus, it appears to me, can only be supplied under a system of protection. It is true that England has made very remarkable strides under a policy of free trade. The conditions of England and India are not similar. If free trade has benefited England it is undeniable that indigenous industries in India have dwindled and decayed under such a system. Further, if England has developed so remarkably under a free trade policy, other countries such as Germany, the United States, Japan, Canada and Australia have made phenomenal progress under a regime of protection. France, Italy and other continental countries are also under a tariff protection. The safeguarding of Industries Act that has of late been passed by the British Parliament shows how even England has been forced by stress of circumstances to move towards protection. The United States of America passed, in May 1921, the Emergency Tariff Act, a temporary measure providing for an increase in certain import duties. The United States, though already a protectionist country, has been obliged to have recourse to such a measure for affording further protection to her industries by discouraging foreign imports. The party now in power in Canada has declared its fiscal policy to be a thorough revision of the tariff with a view to assisting in providing adequate revenue to stabilising legitimate industries, to encouraging the establishment of new industries essential to the economic development of the nation, to the development to the fullest extent of all natural resources and to safeguarding the interests of the Canadian people in the existing world-struggle for commercial supremacy. The Australian Government has also recently emphasised their settled policy of protection. "The established policy of the Government," says an official publication issued by the Commonwealth Bureau of Commerce and Industry, "is protection, and if the present schedule does not provide duties sufficient to protect new industries, consideration will be given to the matter of providing sufficient protection on the first revision of the tariff after the establishment of new industries." In another passage the Director of the Bureau writes: "This tariff represents the settled policy of the country inasmuch as the two large political sections of the community have unhesitatingly supported it, and the small opposition to it has come from a very small minority, that has attempted to alter only a few items and has left its main provisions and its principles intact." It will thus be seen that the trend of fiscal policy in most of the industrially advanced countries in the world is towards protection. India is industrially a backward country. It is imperative, therefore, if her industries are to be developed properly, that protective measures should be taken in India also, specially when the present fiscal policy has failed to develop the industries of the country, in spite of the great advantages that she enjoys. Protection does not mean the exclusion of foreign competition; it means that the Indian manufacturer should be made equal to meeting foreign competition. Nothing could be more unfair than the arrangement which compels India, an industrially backward country, to enter into competition with those countries which are able to develop their industries under a system of protection, while India is called upon to continue a policy which has proved beyond any doubt to be prejudicial to her interests.

2. I consider that a tariff provides a more suitable form of taxation for India than direct taxation. If fresh taxation is considered necessary I would prefer an increase in customs to an increase in direct taxation. It is generally admitted that there is no great margin of taxable capacity in the Indian people. Any enhancement of the existing direct taxes would under the circumstances cause great hardship to the people and be very unpopular. I do not think that it would be wise or proper at the present moment to expand the existing direct taxes. It does not further appear that there is any room for imposing any additional direct tax which might yield a substantial income. An increase in customs may, however, be expected to produce a suitable revenue besides stimulating the development of industries.

12095. 6. I do not generally approve either in theory or in practice the imposition of an excise duty on an article manufactured in India when a duty is imposed on the same article imported from abroad, except in case of such articles as liquors, because such excise duty would serve as a handicap to the development of industries by raising prices.

12096. 9. I consider that the tariff should be framed primarily with the object of fostering Indian industries and secondarily for the purpose of obtaining revenue. Such a course would, I believe, increase the productive power of the country; promote diversity of employment to the people; encourage immigration of labour and capital; check imports and so conserve the national capital; decrease the export of raw materials so necessary for the development of industries and make the people more self-reliant and energetic. It cannot be denied that the adoption of a policy of protection would serve as an encouragement to capitalists to invest their money in industrial ventures.

12097. 20—24. It is argued that a protective tariff is bound to raise the price to the consumer. There can be no doubt that protection would tend to increase the price to the consumer in the beginning. If, however, the measure of protection stimulates production in the country it may be expected that ultimately prices will come down as a result of internal competition. The disadvantages of a rise in price are more than counterbalanced by the benefits that may be expected to accrue to the people from a measure of protective tariff.

12098. 25. It may be that a policy of protection would result in a contraction of the foreign trade of India in the beginning. If, however, industries develop properly, as it is expected they will, there is likely to be an expansion of international trade in the end. Most of the advanced countries in the world are protectionist in their fiscal policy. In the case of many of these countries a policy of protection has rather than diminishing foreign trade helped its expansion. There is, therefore, no cause for any apprehension that the effect of a policy of protection on the general commercial position and prospects of the country would be anything other than beneficial.

12099. 29. If a policy of protection is decided to be adopted I would recommend the constitution of a permanent organisation for investigating the claims of various industries to protection from time to time and for the periodical adjustment of tariff rates. This organisation should consist mostly of Indians of approved capacity and having expert knowledge and should as far as possible be of a popular character enjoying public confidence.

12100. 30—34. I do not consider it advisable generally to impose an export duty on a raw material. In the case of raw materials, however, in which India possesses a monopoly, or, enjoys a favourable position, that is, for which there is a keen foreign demand or the retention of which may be advantageous to the development of any industry, it may be desirable in some cases to impose a moderate export duty. The principal foodstuffs should not, I think, be allowed to be exported so long as there is not enough stock to meet the requirements of the country. This object would be served by the imposition of any export duty.

12101. 35. It does not appear to me that any scheme of Imperial Preference that may benefit Great Britain would be advantageous to India. So long as India does not emerge from her present stage of industrial backwardness and ceases to be mainly an exporter of raw materials and importer of manufactured goods I fail to see how Imperial Preference can in any way advance the interests

of India. When India demands protection for her industries, she seeks protection against British industries largely because of the very large share of imports that India receives from that country. Imperial Preference is bound to serve as an additional handicap to the development of indigenous industries and will thus detract from the benefits that India may expect to derive from any scheme of protective tariff. I think the question of Imperial Preference cannot be taken into serious consideration so long as India is not placed on a footing of perfect equality with other parts of the Empire.

43. I have already said that I am interested either in the capacity of director or proprietor in (*a*) tanning, (*b*) glass, (*c*) soap, (*d*) sugar, (*e*) cutlery, (*f*) antiseptics, (*g*) coal, and (*h*) tea industries. I desire to deal with certain aspects of (*a*) tanning, and (*b*) glass industries only.

Tanning Industry.

12102. India possesses very great natural advantages for the tanning industry. These advantages are an abundant supply of raw hides and skins and of vegetable and mineral tanning agents together with an adequate supply of suitable labour. The war has shown that the industry is essential to national security. Leather is an important munition of war and the industry is considered to be a key industry. Only a few tanneries have been established in India on modern lines and the organization and equipment of the industry in the country are therefore still in a very backward condition when compared with those in advanced countries. The war has, however, given an impetus to the tanning industry and it cannot be denied that subsequently the export duty on raw hides and skins has led to the establishment of new tanneries and leather goods industries in parts of the country. The industry depends mainly on the local market for the sale of its output. If, however, it is properly developed and organised, it is possible to dispose of the output in foreign markets. In 1918-19 £164,524 worth of leather was imported into India. The figures for 1919-20 and 1920-21 were £201,523 and £420,939, respectively. These figures show how keen is the competition between Indian tanned leather and foreign tanned leather. The following extract from the General Review of the conditions and prospects of British Trade in India during the Fiscal year 1919-20 and 1920-21 by Mr. Thomas M. Ainscough. His Majesty's Senior Trade Commissioner in India and Ceylon, gives an idea of the nature of the competition and indicates the countries with which India stands in competition :—"In 1919-20 66 per cent. of the hides and skins (tanned or dressed) were obtained from the United Kngdom, 23 per cent. from Ceylon and 10 per cent. from the United States. Of tanned and dressed skins, the United Kingdom shipped 43 per cent., America 36 per cent, and the Straits Settlements 23 per cent. Unwrought leather was obtained from the United Kingdom (64 per cent.), United States (24 per cent.), and small quantities from Australia and the Straits Settlements. Imports of leather cloth were divided between the United Kingdom (82 per cent.), and the United States (18 per cent.). Artificial leather is, as yet, not an important item. The United States has 62 per cent. of the trade, Japan 26 per cent., and the United Kingdom 10 per cent." It is to be noted that the foreign competition in the Indian market is chiefly confined to high class leather. Among the circumstances that give the competing countries an advantage over India, the most important are, besides superior organisation and equipment, in some cases a Protective tariff as in the United States of America, the existence of allied industries, and the experience and other advantages that they have gained by starting the industry earlier. It appears to me under the circumstances that the tanning industry in India stands greatly in need of protection. If adequate protection is granted the industry will, I think, reach a level of development which will enable it eventually to face foreign competition with success. The imposition of the export duty on hides and skins has rather than injuring the industry stimulated its development. The agitation that has been set up against this duty by exporters shows the truth of the remark made by the Indian Industrial Commission in their Report that among other initial difficulties this industry will be exposed to the risk of organised competition of hide exporters. In this connection it may be noted that signs are already visible of a recovery of the export trade in hides and skins. As the foreign demand is mainly in regard to superior hides and as our goat-skin is a necessity to foreign glace kid manufacturers the export duty should, I think, be retained in those cases. In the case of inferior hides known as "thirds and fourths" in the trade, however, either the duty may be reduced. Having regard to the present abnormal and universal trade depression and also to the extremely unfavourable financial and political situation in India, it would be extremely unfair to pass judgment on the effect of the export duty on hides and skins which has been in existence for so short a period. As the finished product of the industry is used as raw material for the boot and shoe industry and for other leather manufactures and as imports of these articles are received in India in large quantities, there is ample room for a proper development of these industries also. The development of these industries should, I think, be stimulated by the imposition of Protective duties, sufficiently high, on such foreign imports. This will give an additional impetus to the tanning industry in India. I would advocate a system of protection under which industries would receive varying amounts of protection in accordance with their needs.

The Glass Industry.

12103. The raw materials required for the manufacture of glass are mostly available in large quantities in this country. Of these raw materials the most important are sand, lime and sodium carbonate. Sand and lime, both of excellent quality, are obtainable in many parts of India. Owing, however, to excessive transport freight, they become more costly than they are in other countries. In practically all foreign glass making countries these two can be had cheaper than in India. Sodium Carbonate is imported and costs in India much more than elsewhere, because a foreign firm is the virtual monopolist of this article. It is, however, possible to manufacture sodium carbonate in sufficient quantities in this country. Sources of supplies of soda in a raw state are available in Behar and Orissa, Guzrat, Poona, the Gwalior State, the Central Provinces and in Rehsoils. Coal is a vital necessity in the glass factory. During recent times, however, the price of coal has soared very high owing to transport difficulties. There is also the danger of dumping and underselling by foreign countries inspite of the fact that there is a certain amount of margin of safety due to fragility of glass and to ocean freights as glass articles take up so much cargo space. That this danger is a real one will be apparent from the following facts. In accordance with the provisions of the safeguarding of British Industries Act, the Board of Trade of the United Kingdom, have set up a committee to consider applications with reference to dumping. A summary of the evidence placed before this Committee recently has been published in English journals disclosing certain startling facts. Owing to under cutting of British prices by German manufacturers factories have been closed down and there has been consequent unemployment in the glass industries in the United Kingdom. It is stated that applicants are seeking the protection provided by the Act on the ground that German goods by reason of the depreciation of the exchange are being sold in England at prices below those at which British goods can be profitably manufactured. According to a report on the subject, from which extracts have been published in the British Press, in nearly every instance the article imported is at least hundred per cent. lower in value than those of British manufacture. In fact the labour charges alone on the British article is stated to be more than the total price at which the foreign article can be retailed. "It is not," the report referred to above says, "that dealers are not anxious to buy the British material; they prefer them and it is believed would be willing to pay a higher price for them, but when they can purchase foreign glass at a quarter the price it cannot be expected they will place orders with British firms." I am informed by reliable persons that the infant glass industry of India also is seriously threatened by this dumping and underselling movement.

12104. Effective measures are needed in India also to check the evil of dumping and underselling. The export figures relating to glass and glassware for the last few years show how the demand for such articles is rapidly increasing in India. In 1913-14, a pre-war year, glass and glassware of the value of 1,95 lacs of rupees were imported; in 1919-20 the value of such imports amounted to 2,90 lacs of rupees and in 1920-21 to rupees 3,38 lacs. Calcutta is a very good market for such articles. I have shown that the principal raw materials required for the industry are also available in the country. The chief difficulties that stand in the way of any proper development of the glass industry are however the high cost of soda, high railway freights, want of adequate transport facilities and dumping and underselling by foreign countries. Owing to the difficulties that I have enumerated above, the industry cannot be

expected to be properly developed unless adequate protective measures are taken. There is no doubt that the present tariff has benefited the industry to a certain extent but the protection that it affords is not adequate and there is no provision for the checking of dumping and underselling by foreign countries.

Written statement from the Secretary, Indian Association, Calcutta, dated the 3rd January 1922.

I am directed by the Committee of the Indian Association to submit to you the following memorandum on the questions framed by the Indian Fiscal Commission :

12105. 1. The Indian Association generally favours a policy of protection, without which, in its opinion, it will not be possible to develop the industries of this country. The Association believes that there is sufficient capital here for the purpose but that it is shy and wants special protection against foreign competition. There is an abundant supply of raw materials, and there is also ample labour available, as well as a market for the finished products. It should also be remembered that western countries, like England, Germany, etc., have adopted a system of protection.

12106. 2. As direct taxation has always been very unpopular in this country, the Association prefers an increase in customs to an increase in direct taxation, if fresh taxation were necessary.

12107. 3. As the Association is in favour of imposing a tariff both for revenue and protective purposes, the tariff should be framed with the object of favouring a policy of protection and the growth of industries. Machinery for the manufacture of any protected article, therefore should be allowed to be imported free from any duty, while the imported article itself should be subjected to an enhanced duty. The Association suggests that cotton piece-goods and yarns and sugar should be treated as protected articles as early as possible. As jute is a monopoly the duty on the export of raw jute should be increased and that on manufactured jute should be reduced. The export of coal and foodstuffs should be prevented and Indian shipping should be encouraged by differential port dues against foreign shipping.

12108. 4. The Association is opposed to the continued basing of the tariff on existing principles, as thereby the interests of the country are sacrificed to those of Great Britain and specially of Manchester.

12109. 5. The existing tariff policy is detrimental to the interests of Indian industries and, if continued, is bound to lead to their extinction.

6 & 7. The Association strongly protests against the imposition of an excise duty to countervail an import duty.

8. The Association believes that the imposition of an excise duty would raise the price to the consumer.

12110. 9. It has already been stated that the tariff should be framed primarily with the object of fostering Indian industries. The advantages anticipated are employment of labour ; education organisation and discipline among the people ; greater taxable capacity ; absence of dependence on foreign countries and greater capacity for defence.

12111. 10. India has the resources to make her independent of other countries as regards manufactured goods, but the Association believes that this will not isolate her from the rest of the world.

12112. 11. The Association does not favour the imposition of protective duties on all imported manufactures from the commencement.

12113. 12. To start with the following articles may be selected for protection ; piece-good and yarns, sugar, salt (provided the excise duty on it be abolished and indigenous manufacture fostered), tanned leather, jute and jute manufactures, Indian shipping, wheat and wheat-flour and foodstuffs. The principle to be adopted is that a beginning should be made with industries which are in existence or likely to come into existence in the near future and also industries which supply the necessaries of life.

12114. 13. It is desirable to establish new industries by protection. The principle has already been stated under the last answer.

12115. 14. Protection may be adopted in the case of articles which are likely, after the period, to be able to face foreign competition without assistance, but there are certain industries, like those which supply the necessaries of life, which should be protected even though continued assistance be necessary.

12116. 15. Yes, measures might be adopted on the lines of the English safeguarding of Industries Act, 1921.

12117. 16. Hand industries and specially the cotton handloom industry should be maintained as the vast majority of the people are agriculturers who have much spare time for the purpose. But at the same time big factories on modern lines must also be established and encouraged. The State should be impartial to the two kinds of industries.

12118. 17. In the present circumstances, there is not much danger of protection in India leading to combination to maintain quasi-monopoly prices. If and when such circumstances arise there will not be any difficulty in finding out measures to counteract the evil.

12119. 18. It is likely that a protective policy may lead to the establishment of British and foreign industrial firms in India but this is preferable to the wholesale import of manufactured goods. At the same time, the Association urges that such establishment should be discouraged by insisting that the capital or the major portion of it and management of new industries should be purely Indian. The Association has been constrained to adopt this attitude in view of the great drain on Indian resources due to the burden of heavy interest on foreign investments which has brought about an adverse balance of trade against her.

12120. 19. In the present circumstances, conflicts of interests contemplated in this question are not likely to arise, except probably in the case of raw jute. Such conflicts, when they arise, may be easily adjusted.

12121. 20. When an import duty is imposed, ordinarily there is a rise of price.

12122. 21. But this rise is not likely to be permanent, specially if India manufactures her own requirements or if the producing country chiefly relies on India for the sale of the manufactured article.

12123. 22. The Association is prepared to accept an increase in price to the Indian consumer for the sake of developing Indian industries as it will keep the money in the country.

12124. 23. Yes, in fixing the rate of duty, care should be taken to see that it protects and encourages Indian industries and at the same time does not unduly increase the price to he consumer. Articles of food and clothing should be classed as necessaries of life.

12125. 24. The Association thinks that the increased cost would be covered by a rise in wages or salary.

12126. 25. A policy of protection would tend to reduce foreign imports and encourage the growth of Indian industries. It would also prevent the export of raw materials and help the balance of trade in India's favour.

12127. 26. Yes.

12128. 27. It will not be proper to adopt general and special tariffs from the commencement, but the course of events should be carefully watched before such a course is adopted.

12129. 28. Yes.

12130. 29. The Association recommends that there should be a permanent organisation for the purpose mentioned in question 29, which should consist of the member for commerce in the Government of India as president and he should always be an Indian, the members for Revenue and Agriculture and for Finance, and members representing different provinces and important interest. At least $\frac{3}{4}$ths of the body should be Indian.

12131. 30. Export duties may be imposed for other purposes than raising revenue, such as, the conservation of raw materials for manufacturing purposes, and the prevention of the export of foodstuffs like wheat, wheat-flour and rice.

12132. 31. In certain cases, the imposition of an export duty may reduce the export trade in the commodity, but the extent of the reduction will depend on the amount of the duty and on the extent of the reliance of other countries on India for the article. In certain circumstances export duties may be imposed without injury to the trade. In the case of jute, cotton, tea, hides and skins, coal and foodstuffs export duties may be levied without injury to the export trade.

12133. 32. Yes. The cases of jute, cotton and foodstuffs have already been mentioned. The effect on the producers of the raw material would depend on the amount of duty.

12134. 33. Yes. It is generally admitted that the amount of foodstuffs produced in India is not sufficient for her own

requirements. The fall in prices that is observed is due chiefly to the wrong railway policy which favours imports and exports to internal traffic to such an extent that it is cheaper to take wheat from Bhatinda to Liverpool than from Bhatinda to the Deccan. The real remedy is therfore to curtail export and to provide transport facilities for conveying food grains from one part of India to another. The Association is strongly opposed to lower railway rates for export of food grains.

12135. 34. Yes.

12136. 35 and 36. The Association is strongly opposed to the idea of Imperial Preference on general grounds. So long as the British Dominions are not prepared to treat Indians on a footing of absolute equality, India should refuse to consider the question of Imperial Preference. The attitude of European merchants and banks in India towards Indians should undergo a material change before such a step can even be contemplated.

12137. 37. It appears that there has been in the past a balance of trade in favour of India as regards foreign countries, and if Imperial Preference were adopted, foreign countries will be justified in retaliating against India. This would entail huge risks to India.

12138. 38 and 39. In view of the answers to questions 35 to 37, these points do not arise.

40. Yes.

12139. 41. A system of Imperial Preference would upset the trade of India and her balance of trade.

12140. 42. A diversion of trade from foreign countries would have a bad effect on India's general trade position.

Oral evidence of Sir Nilratan Sircar and Mr. S. C. Ghosh, representing the Indian Association, examined at Calcutta, on the 18th January 1922. (Mr. Ghosh's evidence on Railway rates is given separately).

President.

12141. *Q.* Gentlemen, you represent the Indian Association of Calcutta?

A. (Sir Nilratan Sirkar) Yes. Also I have been requested by the Industries Board of the Government of Bengal to appear as a witness on their behalf.

12142. *Q.* In answer to question 1 you say "It should also be remembered that western countries, like England, Germany, etc., have adopted a system of protection."

A. (Sir Nilratan Sircar) I have explained this matter clearly in my own note.

12143. *Q.* I will deal with the note of the Indian Association first.

A. (Sir Nilratan Sircar) I am not responsible for that note I may say that I would not call England a protectionist country generally speaking, though she might have adopted a policy of protection from time to time, as at the present moment in regard to the Safeguarding of Industries Act.

12144. *Q.* You are appearing here in support of the note of the Indian Association, are you not?

A. I am not prepared to admit that.

12145. *Q.* How can you represent the Association if you do not support the Association's written memorandum?

A. (Sir Nilratan Sircar) In the matter of general policy I support that note. For instance, the Association favours protection and I also am a protectionist. There are also several matters in regard to which there is general agreement, but I do not agree with everything that has been put in that note.

12146. *Q.* Perhaps Mr. Ghosh would answer questions in regard to the note of the Indian Association.

A. (Mr. Ghosh) I am in favour of protection.

12147. *Q.* There are certain statements on which we want an opinion. Could you give it?

A. (Mr. Ghosh) I thought I would be questioned with regard to railway matters, and I came particularly prepared in connection with points on railways.

12148. *Q.* Would you answer this question? In answer to question 3 your Association suggests that cotton piecegoods, yarns and sugar should be treated as protected articles as early as possible.

A (Mr. Ghosh) I quite agree.

12149. *Q.* Do you want further protection for cotton piecegoods?

A. I do.

12150. *Q.* The industry is now established and is making large profits. Surely you could not justify further protection which would mean penalising the consumer.

A. My point is that not only the power-loom but also the hand-loom industry should be protected.

12151. *Q.* How would you protect it? By imposing heavy import duties, by increasing the present 11 per cent. duty?

A. (Mr. Ghosh) I would do so if allowed.

12152. *Q.* How would you justify it?

A. In the interests of India, in order to make her self-contained in the matter of clothing. If you encourage the hand-loom industry you will give employment for the agriculturists.

12153. *Q.* How would the hand-loom industry be able to compete with the Indian power-loom industry? You say that in your view India should be self-contained in the matter of her clothing. You would give adequate protection to the cotton mill industry in order to reach a stage when India may become independent of foreign countries in the matter of clothing. Assuming that your view prevails and that a higher duty is imposed on imported piecegoods to such an extent that Lancashire and Japan could not possibly compete with the local manufacturers, how would that help the hand-loom industry as against the power-loom industry in India?

A. That will help the hand-loom industry of India.

12154. *Q.* How?

A. It will help in this way that people will have to make their own clothes.

12155. *Q.* Supposing that mill made cloth is cheaper than hand made cloth, what will happen?

A. In that case, the mill made cloth will be consumed more, but the mills cannot supply us with everything.

12156. *Q.* Supposing the industry is made profitable, mills will increase and thus the hand-loom industry will have only temporary protection.

A. Till the mills can clothe the whole of India, the hand-loom industry ought to have protection.

12157. *Q.* The hand-loom industry would become extinct ultimately?

A. There is no harm then.

12158. *Q.* It is said here that the export of coal and foodstuffs should be prevented and Indian shipping should be encouraged by differential port dues against foreign shipping. Will you please tell us what is intended to convey by that?

A. Export of coal and foodstuffs should be prevented. In the matter of coal, we had recently an enquiry in connection with the conservation of coal, by a Committee. They said that India has not got sufficient coal and in order to preserve and keep the coal available in this country India will have to prevent the export of coal. As regards foodstuffs in order to cheapen the cost of living and consequently in order to encourage the manufacture of raw materials in this country export of foodstuffs must be stopped.

12159. *Q.* Don't you think that the cultivation and production of food grains would be diminished by such a policy?

A. I would explain that. The foodstuffs which the Indian ryots mostly export will be consumed by themselves and at the same time in the place of jowar, bajra, makai, etc., they will grow cotton. If there is a diminution in the production of foodstuffs, it will be in the production of jowar, bajra, makai, etc.

12160. *Q.* Where will the wheat come from?

A. As it is produced now.

12161. *Q.* Is it in sufficient quantities to go round the whole of India?

A. It is not. That is why I say 'stop export'.

12162. *Q.* In reply to question 3 it is also said that Indian shipping should be encouraged by differential port dues against foreign shipping. What are your reasons?

A. I am not competent to deal with this.

12163. *Q.* The reply to question 4 also requires explanation. "The Association is opposed to the continued basing of the tariff on existing principles, as thereby the interests of the country are sacrificed to those of Great Britain and specially of Manchester." Would you please explain?

A. I don't think that I can explain this.

12164. *Q.* In answer to question 18, it is said that the establishment of British and foreign industrial firms should be discouraged by insisting that the capital or the major portion of it and management of new industries should be

purely Indian. How do you expect that to be done? How do you expect that new industries will be established by foreign firms on the condition that the management should be in the hands of Indians?

A. I cannot answer this question.

12165. *President*:—Inasmuch as you are not prepared to support the statements made in the written evidence submitted by the Association it appears to me that it would be much better to deal with your personal statements rather than with the Association's.

A. (Both the witnesses agreed).

12166. *Q.* I will take Sir Nilratan Sircar first. You are interested either in the capacity of a Director or Proprietor in tanning, soap, glass, sugar, cutlery, antiseptics, coal and tea industries.

A. Yes.

12167. *Q.* You say that the Industrial Commission have shown that if adequate and well directed steps for industrial development are taken India may expect to be self-supporting and self-contained in the field of industries. That is to say you think that it is possible by regulating India's fiscal policy in the matter of industries to become self contained and self-sufficient, that is, independent of all imported manufactured goods.

A. Well, that is only an ideal and it would take a very long time. It means that in the majority of our requirements we may be self-contained: that is what I mean.

12168. *Q.* Then you say that in fact the isolation and difficulties of competition created by the war led to the development of industries in India that were formerly considered difficult of development. Can you name any one of these?

A. Well, for instance various branches of the tanning industry. It was developed to such an extent that the whole of the allied armies had their boots and shoes manufactured from Indian leather. So also the activities of the Munitions Board bear testimony to many of these developments.

12169. *Q.* Don't you see that if industries are developed by such abnormal conditions, that is to say, by the support of heavy protection, then the consumer is penalised to a very great extent?

A. I noticed that point merely to show the possibility that we might be self-contained in certain circumstances. We had to develop the tanning industry under great pressure within a very short time. I never could believe that it would be permanent but I say that it is possible to do, say, in 10 years under normal conditions what was done within three or four years during the war.

12170. *Q.* Then you say that you are not in favour of heavy protection and penalising the consumer to a great extent.

A. It is very difficult to answer this general question.

12171. *Q.* You further observe that "the conditions of England and India are not similar. If free trade has benefited England, it is undeniable that indigenous industries in India have dwindled and decayed under such a system." That is to say, under the system of free trade?

A. Yes, for instance, the indigenous hand-loom industry has suffered very much on account of the free trade policy of Great Britain.

12172. *Q.* Don't you think that this is more due to the reduction in the cost of production by the use of machinery than to the free trade policy?

A. That might be one of the factors, but the cost of production in India for the sort of clothes which are generally consumed by the lower classes is not much. But then the mill production became cheaper and much cheaper than the handloom, that is how it was killed.

12173. *Q.* That is to say, the cost of production was less in the case of machine made goods.

A. It must be one of the causes. There is no doubt about that.

12174. *Q.* Will you please tell me how the free trade policy could have interfered with the development of the hand-loom industry as between the power-loom industry and the hand-loom industry in India.

A. So far as the power-loom industry, say, of Bombay and the hand-loom industry of India are concerned, the question of protection does not arise, Bombay has not killed the hand-loom industry of India.

12175. *Q.* Then you think that it is the foreign countries that have actually killed the hand-loom industry of India?

A. At least that is one of the causes. There may be other reasons which are political and into which I need not enter here.

12176. *Q.* Your whole position is that as Germany, the United States, Japan, Canada and Australia have made phenomenal progress under a régime of protection, the adoption of a policy of protection would be to the greater advantage of India than the policy of free trade.

A. Yes.

12177. *Q.* Then you enumerate what Canada and Australia have done in the same direction.

A. Yes.

12178. *Q.* You think that it is unfair that an industrially backward country like India should be forced by a policy of free trade to enter into competition on a footing of equality with other countries which have developed their industries under a system of protection.

A. This is my opinion which I have formed from my own experience in industries.

12179. *Q.* This is your own experience.

A. Yes.

12180. *Q.* In answer to question 9, you enumerate the advantages to be gained by the adoption of a policy of protection for the development of industries in India.

A. Yes.

12181. *Q.* In answer to questions 20 to 24 you point out that the disadvantages of a rise in price are more than counterbalanced by the benefits that may be expected to accrue to the people from a measure of protective tariff. What are these advantages which would counterbalance the effects of a rise in price to the consumer?

A. I have already enumerated these in answer to another question. It would increase the productive power of the country; promote diversity of employment to the people; encourage immigration of labour and capital; check imports and so conserve the national capital; decrease the export of raw materials so necessary for the development of industries and make the people more self-reliant and energetic.

12182. *Q.* You say that "the question of Imperial Preference cannot be taken into serious consideration so long as India is not placed on a footing of perfect equality with other parts of the Empire." Would you please explain what you mean by 'footing of perfect equality with other parts of the Empire'?

A. I think that we are industrially backward in various respects. We are importers of finished goods or manufactured products and exporters of raw materials. That in itself industrially is a very disadvantageous position and at the present moment free trade would affect us by making our materials cheap to outsiders for the purpose of developing their industries. Then the manufactured products would be sold to us at a very high price.

12183. *Q.* You say that India is not placed on a footing of perfect equality with other parts of the Empire. India is not placed by whom? You mean, until India does not attain a position of perfect equality in the matter of manufacture, is that so?

A. Yes, I would change it that way.

12184. *Q.* You have supported the maintenance of the export duty on raw hides and skins. Do you approve of the present principle of 15 per cent. with 10 per cent. rebate on hides tanned within the Empire? What form of export duty would you advocate as a permanent basis?

A. I think 10 per cent. duty on raw hides and skins of superior grades. I have explained elsewhere that these hides and skins are divided into different classes known as firsts, seconds, thirds and fourths. The firsts are slaughtered hides and then the seconds are generally dead but good hides. The thirds and fourths are known as rejections. I do not think that I would place a duty on rejections. There is no large market for them. They are not appreciated. As regards better kinds or good ones there is appreciation outside and certainly we should impose a duty on them. The skins are quite different and they are in a good position. As regards cow hides, I would not recommend a duty on rejections and double rejections. The skins by which is meant chiefly goat skins are most valuable and are exported to the value of about Rs. 2 crores. These form about 37 to 40 per cent. of the raw material of American manufacture. I think that there is every reason that we should impose a reasonable duty upon them and I would certainly recommend a duty of 15 per cent. on goat skins which are very much appreciated and without which America cannot do.

12185. *Q.* You advocate that duty because you think that the goat skins are in the nature of a monopoly?

A. It is not an absolute monopoly. I should say it is a necessity to the Americans.

12186. *Q.* Have you considered the position that the imposition of an export duty on these articles means penalising the entire number of producers for the benefit of a very small percentage of manufacturers who take a very small quantity of goods?

A. It is very difficult for me to agree to a statement like that because in the case of buffalo and cow hides generally there is no producer in any sense.

12187. *Q.* What about the slaughtered hides ?

A. For the slaughtered hides there is an owner, but I don't think that he gets a very large price.

12188. *Q.* Will it not be further reduced by a duty ?

A. I don't think it would be. There is such a large margin of profit in the hands of middlemen, and it is they that suffer. It is these people who are interested in the reduction of duties.

12189. *Q.* We were told that the effect of the present duty has been a great diminution in the slaughter of cattle and a substantial rise in the price of beef.

A. If these be the facts.

12190. *Q.* This is what has been brought to our notice.

A. On the other hand I think that the slump is due to other causes than the duty and it is chiefly due to the economic fall of Germany and Austria who used to obtain 5 millions of our cow hides.

12191. *Q.* Don't you think that if it is decided to give protection to tanning industries, the better form would be the levy of an import duty on leather goods.

A. In that case you would simply raise the price to the consumer of leather goods, while the raw material is freed for export. From the revenue point of view, we would suffer from the abolition of the export duty. I advocate the retention of the export duty on the ground of revenue and also on the ground of manufacture.

12192. *Q.* Please deal only with the protective aspect of the question.

A. From the industrial point of view, we would suffer because we allow our best articles to be exported to foreign countries while we cannot get sufficient material to tan. A number of tanneries have sprung up since the war. They would not get raw materials for the purpose of manufacturing leather. That is what will happen.

12193. *Q.* By levying an import duty on leather goods, you say your difficulty would be that you would not get suitable raw material.

A. Suppose you abolish the export duty on raw hides and substitute a high duty on manufactured leather goods imported into India, then the industry suffers. There may be some revenue collected but the leather industry will suffer. The tanning industry also will suffer.

12194. *Q.* Why ?

A. The tanning industry is not concerned in obtaining leather goods at a particular price.

12195. *Q.* They manufacture leather goods ?

A. It is not the business of tanneries to manufacture leather goods. There are some who do so but the great majority of the tanners only tan leather and then export or sell to the local consumers.

12196. *Q.* Which is your market for tanned leather ?

A. Our market is mostly inside India but we have since the war markets outside India also, for instance, Mesopotamia, East Africa and to a small extent Straits Settlements. We are seeking markets in the East and there may be also markets for tanned goods in the West. We depend upon many markets.

12197. *Q.* You don't depend only on the Indian market.

A. No.

12298. *Q.* That is why you say an export duty on hides would be of much better advantage to an industry than an import duty on leather goods.

A. Exactly. Besides this, I would like to explain my position. I look upon the tanning industry as more or less a key industry.

12299. *Sir Edgar Holberton.*—*Q.* To carry the discussion of tanning a little further, have you any figures to show what percentage of the hide production in India is tanned locally at present ?

A. Well, I have no figures, but the impression is—I have seen it stated by responsible authorities—that about half the hides and about 1-10th of the skins are tanned locally in the indigenous tanneries.

12200. *Q.* The best class of hides certainly would not be more than 10 per cent. ?

A. I do not agree.

12201. *Q.* Can you give me the figure ?

A. It is a very difficult question, but I believe the figures ordinarily accepted are 30 per cent. first class; 40 per cent. middling; and 30 per cent. rejections.

12202. *Q.* And you want to keep all the 70 per cent. in the country ?

A. No, I would like Germany to take 40 or 30 per cent. as she likes, but let her pay for it.

12203. *Q.* But what is the object of your export duty ? It is to get revenue for the Government or to foster the industry ?

A. There are two objects: one to foster the industry and the other to get a large revenue.

12204. *Q.* On which do you place more importance ?

A. I am at present representing the industries and I naturally attach greater importance to that. Now at the present moment I want protection for the hide tanning industry.

12205. *Q.* That is the view of the Industries Department of the Government of Bengal ?

A. Well, I have been authorised to say that they seek to have the protection retained.

12206. *Q.* Wherever we have been in India, we find the exporters of hides very much against this ?

A. Naturally, and that was anticipated by the authorities at the time of passing the Act regarding the imposition of the duty.

12207. *Q.* The object of the imposition of the duty was to build up the leather industry in India ?

A. Partly, but not fully.

12208. *Q.* Has that part of the object been accomplished ?

A. Well, two years' time is very short. But it has been done, that is all that I can say. I have got some figures. In Calcutta, whereas there was only one tannery before the war, 4 new ones have been started after the war. Two new ones are going to be started, and their share capital has been raised and they are erecting their machinery. One of these is for goatskins,—for making glace kid. Then there was one small chrome tannery before the war: now there are 12 small chrome tanneries worked by Chinamen here and they do an enormous business. Then as regards tanneries adopting indigenous methods, they have also multiplied and they do a vast business. Then as regards the United Provinces, there were 2 before the war, but since the war 4 new ones have been added.

12209. *Q.* Are they still existing or have some of them failed ?

A. It is difficult to say anything as regards the business of other people: all that I know is our own business is doing well. Ours is the Calcutta National Tannery.

12210. *Q.* Is your business likely to help the cultivator to get a return for his carcase ?

A. The Bengal cultivator does not get a single pice for his carcase. It is stated that frequently the carcase is sold by the owner for a nominal price or given free to the mochi. Very often the owner would be only too glad to get rid of the carcase from his compound. It is only in the slaughter house that the owner gets a price, but that is not very often high.

12211. *Q.* An increase in the tanning industry would not affect the price of hides to the owner of the animal ?

A. Oh yes, for instance in the skin line, where the animals are all slaughtered.

12212. *Q.* I am talking of hides ?

A. As regards hides, only as regards the slaughtered ones. The price of the hides of slaughtered animals would be affected by a further development of the tanning industry in India.

12213. *Q.* That would increase the price, and encourage the slaughter of more cows ?

A. As tanners we would like to see that.

12214. *Q.* I am very interested to know in what capacity you have come before us. First of all we have the Indian Association which sent us two representatives, but both of you denied any connection with it.

A. If you want to embarrass me further, I shall explain my position clearly. I have already explained that I am not responsible for the note that had been submitted by the Indian Association before they requested me to appear as a witness.

12215. *Q.* Can you tell us who is responsible for it ?

A. I do not know. The Secretary must be responsible for that.

12216. *Q.* Does not the note represent the views of the Association ?

A. I think the Commission may take it for what it is worth, but I cannot sacrifice my own views to support views which are not my own.

12217. *Q.* Is it not rather a peculiar position: that you are coming here as a representative.

A. Not so please. You may not take me as a representative of the Indian Association.

12218. *Q.* Mr. Ghosh also does not wish to represent it ?

A. (Mr. Ghosh) I have seen that statement, and I am in general agreement with it, but I cannot answer the particular questions there because I had no connection with the drafting of the whole thing.

12219. *Q.* It was drafted by the Committee?

A. (Mr. Ghosh) It was drafted by the Committee.

12220. *Q.* And you two were not on it?

A. (Mr. Ghosh and Sir Nilratan Sircar) No.

12221. *Q.* Can you tell me whom the Indian Association represents?

A. The Indian Association represents a large number of people of various interests.

12222. *Q.* Is it a political club or is it a trades association?

A. The Indian Association is the foremost political association of Bengal. Its President up till recently was the Hon'ble Sir Surendranath Bannerjee, but recently another gentleman has been appointed President.

12223. *Q.* Is it a political association?

A. Yes.

12224. *Mr. Norottam Morarjee*—*Q.* When did you start your tanning factory?

A. That was about 1907 or 1908.

12225. *Q.* Is it a public company or a private one?

A. It is a private joint stock company.

12826. *Q.* We were told that in India we cannot make very good leather, as good as the English leathers. Have you got anything to say with regard to that?

A. I do not agree with that remark at all. I may not be the best judge, but I think we can make good leathers. I anticipated a question like this, and I would challenge if any tannery can make leather better than this. (Here witness produced before the Commission a variety of leathers: glace kids, pieces in the upholstery line and pieces in the shoe line and other leathers).

12227. *Q.* How do they compare in price with the English or foreign leathers?

A. We can sell them 15 or 20 per cent. cheaper than the foreign articles.

12228. *Q.* Is your output all sold in India?

A. Chiefly in India. But we also sell leather in Mesopotamia, East Africa and also Straits Settlements.

12229. *Q.* I suppose you are making large profit?

A. Yes.

12230. *Q.* It is stated by some that the export duty has injured the Indian producer. Will you kindly explain why the Indian producer has suffered?

A. I do not agree that the Indian producer has suffered on account of the export duty. As regards goat skins Mr. J. C. Nixon, formerly in the Industries Board, who knows the subject thoroughly well, gives the following figures in the Indian Trade Journal, and I believe they are perfectly reliable. The average annual export for the five years before the war 1909-1914 was Rs. 3,72,99,000. For the year 1920-21 it is Rs. 3,33,49,000. In the hide line of course there has been a fall, but I do not think that this fall is due to the export duty alone. There are various causes and there are various reasons. One of them is that this export duty had been imposed upon hides with the idea that Great Britain should develop her tanning industry to a very great extent, that the whole tanning trade should be taken away from Germany and Austria and that Great Britain should do it. It had been settled that Great Britain should tan 4 million pieces and the other countries in the Empire outside India should tan one million pieces. This would make the 5 million pieces which Germany and Austria used to tan before. Somehow or other, owing to unfavourable conditions of labour and other things, Great Britain has not prospered to that extent.

12231. *Q.* What do you think has been the effect upon the tanning industry in India?

A. It has stimulated it. There was no glace kid business in India before. But at present Cooper Allen & Co. have taken it up. The Davenport Company have also started it. In Madras they are doing it, and we are also doing it, so that there are at least 4 companies in India which have taken up glace kid manufacture. Another big company has also been formed. Their building is nearly complete. The company is managed by Mr. Chari, one of the foremost men among the Indians in the tannery line. All these have been stimulated by the export duty.

12232. *Q.* When you say that the duty has stimulated the leather industry, how do you account for such large stock in India?

A. There is no question that we cannot dispose of our whole stock of hides and skins. I do not knew whether it would ever be possible for India to tan all her hides and skins, because there is such a huge stock. They are worth about Rs. 15 crores, and we must export to some extent. But there is great appreciation for these goods outside India and there will be no difficulty about it in normal times.

12233. *Q.* Was not this duty imposed in the interests of India?

A Partially in the Indian interests, but chiefly it was imposed in the British interest.

12234. *Q.* How? Please explain that.

A. In 1916-17 a Committee was formed and made recommendations. The Imperial Institute Committee on Indian leather made enquiries and recommended that Germany and Austria should no longer be allowed to tan these hides and skins. Germany was the largest consumer in the cow hide line, and the Committee wanted to transfer the Indian export trade in raw kids from German to British firms and to establish the tanning of Indian hides in the United Kingdom. This was the object with which the duty was imposed in India, but incidentally it became a boon to us and we appreciated it very much, though of course we did not appreciate the other part of it, that is to say, the Imperial Preference part.

12235. *Mr. Coyajee.*—*Q.* You attribute the prosperous position of the Indian tanneries chiefly to the export duty?

A. Not chiefly to the export duty. I may say to some extent our prosperity was due to that. But we could not get on without an export duty. It will be an impossibility in the glace kid line. The Americans are masters of organisation. They have got various advantages; long lead in this matter, very good expert assistance and high class machinery. It will be very difficult to compete without some form of protection.

12236. *Q.* You asserted that our supply of hides is so great that it will never be possible for the Indian tanners to tan the whole of it. Is not this export duty putting a great burden and sacrifice on all the surplus hides which you don't tan?

A. It is not a great burden, because America is paying duty to Mexico, to East Africa and other places, and why should it not pay a duty to India? I do not think this is a very great burden.

12237. *Q.* I do not understand your argument that it is better for the Indian tanneries to have an export duty on hides and skins than to have an import duty on manufactured leather. Might I have the benefit of your views further?

A. The question is whether some purpose would be served by an import duty on manufactured articles. I have already explained in my answer to the President that an import duty on finished goods will affect the tanner only indirectly through the general revenue, because he enjoys no part of it. His article is not a leather article. We do not manufacture at this end. Manufacturing industries are quite different industries altogether.

12238. *Q.* It would be useless to put an import duty on finished leather?

A. It would benefit the Indian tanner only indirectly.

12239. *Q.* What about an import duty on such articles as are manufactured here?

A. Certainly. It would benefit. I would insist upon it.

12240. *Q.* That will be a fair substitute for the export duty on hides and skins?

A. It cannot be a fair substitute. A country when it imposes an export duty has a larger field of collection than when it imposes an import duty only upon some of the manufactured articles in the same line. It can never compensate for the loss.

12241. *Q.* You have argued that the higher grades of hides and skins can stand the duty?

A. Yes.

12242. *Q.* It has been represented to us that it would be difficult for the customs officers to discriminate between the higher grade and lower grades. Is that the case?

A. Really that question may be more authoritatively answered by customs officers. But so far as tanners are concerned, they can know them by seeing the articles whether they are good quality hides or bad quality.

12243. *Mr. Rhodes.*—*Q.* As regards your business has the export duty resulted in cheapening the prices of the raw material?

A. Yes.

12244. *Q.* Is that the only way in which you have been affected by the export duty?

A. We get better raw materials perhaps at less price.

12245. *Q.* This is the form in which protection acts and helps you?

A. Yes so far as I am concerned as a tanner. But there is another advantage. More people are devoting their time, attention and money to start this sort of business.

12246. *Q.* You say that it is possible to mannfacture sodium carbonate, in sufficient quantities in the country. Can you tell me why it is not done?

A. That of course is another question. The railway policy is not very favourable to us A huge organisation is also required, and then we have to compete with Brunner Monds. I simply state that there is a possibility so far as the raw materials are concerned.

12247. *Q.* My point is that you do not want a protective duty on it. It would increase the price of glass?

A. I am stating that so far as glass is concerned we have certain disadvantages under which we work. That raises the price of our commodity, and therefore we require protection. Otherwise we cannot compete with the foreign manufactures.

12248. *Q.* You would have a further disadvantage if we put an import duty on sodium carbonate?

A. I am not for having a duty on sodium carbonate. I want no duty on chemicals at all.

12249. *Q.* You say about glass that according to a report from which extracts have been published in the British Press, in nearly every instance articles imported from Germany are at least 100 per cent. lower in value than those of British manufacture. Does that mean that Germany is giving these things away for nothing?

A. I do not know the reason. I cannot say. I found it in an issue of the "Times."

12250. *Q.* That would make them cost less than nothing?

A. It is one of the greatest apprehensions of the people in England at the present moment in the industrial circles that they would kill their glass manufactures. That is what they are doing. How they manage it I do not know. Perhaps it is their favourable railway rates. But it is not fiction. That is what happened in Calcutta only a month ago. Our glass factory is doing short time at the present moment. Under ordinary circumstances, if we get protection I think we can get on very well. About a month ago a ship load of these things came from Germany and they undersold us to the extent of about 15 per cent.

12251. *Mr. Mant.*—*Q.* I want to clear up the point regarding the representation of the Indian Association. You are the Vice President. Are you not?

A. Yes. I am one of the Vice-Presidents.

12252. *Q.* You were elected by the Association to give evidence on their behalf?

A. Yes. I was asked by the Association to give evidence on their behalf.

12253. *Q.* Did you tell the Association that you would not support their views?

A. No. I did not tell them. When one of the Secretaries approached me and asked me to appear as a witness on their behalf I enquired as to their views. He said that generally their attitude was a protectionist one, that Imperial Preference was not advocated and that they wanted me to appear as their representative. I said that I had no objection.

12254. *Q.* You said that you would give evidence on their behalf?

A. Yes. I said so.

12255. *Q.* Now you say that you won't. I do not really understand the position. You appear on their behalf and yet you say that you won't support their views.

A. I don't say I won't. I generally agree with their views. But as regards particular points, I do not take the responsibility. They have been drafted by some Secretaries of the Indian Association. If the drafting had been given to me I would have drafted the replies in another way.

12256. *Q.* You have come here to represent the Association. They put their views in writing and you come to be cross-examined about their views. But when you are asked questions about them you repudiate them. What would you suggest we should do with the evidence of the Association? Our practice is to set aside any evidence which is not supported in cross-examination.

A. I would not stand by some of the remarks that have been made by them. In fact they are not exactly my views.

12257. *Q.* Why did you not tell the Association that you would not support their views? You have come here nominally to support their views and yet you tell us that you would not support them.

A. So far as the general principle goes, I quite agree with them. So it is not a fact that I don't support them.

12258. *Q.* When you are asked questions about them you say that you are not prepared to stand cross-examination?

A. When definite statements are quoted from paragraphs drawn by another gentleman and I am required to support them, I cannot do these things against my conscience. That is the whole thing. The principle remains the same. But the details on the grounds upon which one gentleman supports the principle might be different from those on which another gentleman supports the same principle.

12259. *Q.* The position is simply this that you come here as representing the Association but that you will neither support nor repudiate their evidence. It is a very unsatisfactory position. It seems to me that the Association is rather in the position of a small boy who has thrown a brick and run away, because there are certain remarks here to which exception might be taken, and you say that you are not prepared to substantiate those statements.

A. I feel that too much is being made of this matter, which is after all, so far as I can see, a small matter. If this august body does not see the propriety of taking me as a representative of the In ian Association, they might not take the evidence. That is another matter altogether.

12260. *Mr. Mant to President:*—I want to know whether this evidence is bef ore us.

A. Technically it is before us.

12261. *Sir Nilratan Sircar.*—I have already answered one of the questions put by the President whether England is a protectionist country or a free trade country, and I said that I did not think England is a protectionist country, though from time to time she has adopted protectionist measures.

Oral evidence of Sir Nilratan Sircar and Mr. Ghosh representing the Indian Association, Calcutta.

12262. *Mr. Mant.*—*Q.* The Indian Association is only a political Association.

A. Yes. It is the foremost Association in Bengal. Most of the M. L. C.'s and members of the Imperial Legislative Assembly and the Council of State are members of this Association. The Ministers of Bengal also are members.

12263. *Q.* Yet you say it is a matter of small importance whether their views are represented here or not.

A. I regret that I cannot support all the statements made by the Secretary.

12264. *Q.* Take the case of the Hon'ble Mr. P. C. Mitter. You don't suggest that those are his views.

A. How can I say?

12265. *Mr. Rhodes.*—They are probably in the same position as yourself.

A. One member is not bound to agree with another. I was not on the Committee which drafted this note.

12266. *President.*—*Q.* These are supposed to be the views of the Association.

A. Yes (Mr. Ghosh). As far as I am concerned I sent them my notes. They agreed and asked me to give evidence on their behalf.

12267. *Sir Maneckjee Dadabhoy.*—I feel that you are placed in a somewhat difficult position before this Commission with reference to the written statements made by the Indian Association and I shall not trouble you any further with the written evidence of the Association. I am still unable to understand your deposition about the tanning industry. I understand from what you have said that the interests of the tanning industry are in conflict with the interests of the exporters of hides and skins.

A. Yes.

12268. *Q.* If they ask for a repeal of the export duty from their point of view they may be right.

A. Yes, unless there be amphibious members. At the outset there were some members who were members of the hide trade as well as having tanneries. They were in a very false position.

12269. *Q.* Then in answer to Mr. Narottam Morarji you stated that you could make tanned articles and sell them 15 to 20 per cent. cheaper than the imported articles.

A. Yes.

12270. *Q.* Yet you are making out a strong case for your industry. I don't know on what basis you want protection.

A. Without protection we could not make these things.

12271. *Q* You said that you could sell 15 to 20 per cent. cheaper.

A. If the raw material is protected by the export duty.

12272. *Q.* If the duty is removed, then your industry will suffer.

A. That is my position.

12273. *Q.* Your view is that this duty should be maintained for the protection of the tanning industry.

A. Yes.

12274. *Q.* Tanneries of late have been started, I presume from your answer, on the basis of the assurance of the

Government that this duty would be kept up for some time. Is that your position?

A. That is my position.

12275. *Q.* You don't want any further protection.

A. If the export duty is retained, it would suffice.

12276. *Q.* No duty need be placed on chemicals.

A. As regards chemicals, we would rather have a nominal duty.

12277. *Q.* What do you call a nominal duty?

A. As a tanner, I would like to have no duty at all for chemicals and machinery.

12278. *Q.* Have these duties affected you?

A. The present duties affect us to some extent.

12279. *Q.* These chemicals form an important part of your trade.

A. Yes. The tanning business is a highly chemical industry and you require chemists of the first order to manufacture leather.

12280. *Q.* Will you please explain the statement "the agitation that has been set up against this duty by exporters shows the truth of the remark made by the Indian Industrial Commission in their report that among other initial difficulties this industry will be exposed to the risk of organised competition of hide exporters?"

A. This is a statement of the Industrial Commission, and it is true.

Witness No. 82.

Mr. S. C. Ghosh, 53, Lansdowne Road, Calcutta.

Written statement dated the 13th January 1922.

12281. *Q.* 1. I am in favour of protection. To my mind "protection" is essential for the growth and development of industries on modern line in India, and for the revival and protection of village industries.

12282. *Q.* 2. I prefer taxation through tariff than direct taxation.

12283. *Q.* 3. As I advocate imposing tariffs, both for revenue and protective purposes I am of opinion that while things like machinery, chemicals, for our mills and industries, etc., should have nominal duties the goods manufactured in foreign countries and competing with our manufactures should be subject to heavy duties, such as cotton piece goods, sugar and the question of imposing duties on railway materials, such as wagons; rails should also be considered because the manufacture of wagons and rails is going on at present, and will extend. Endeavours should be made to extend the scope of workshops of each railway and the encouragement of local manufactures. As for instance it may be quoted here, in case of workshops of the Rajputana Malwa Railway at Ajmere since the Engineers' strike in 1896 in England the building of wagons in India was started there and according to a recent publication entitled "Indian Railways" (published from Ajmere in 1921) there was saving of 20 per cent. of the cost and 5,000 extra Indian workmen were employed. Extension of wagon building companies and creation of locomotive building concerns in India together with extension to and creation of rail manufacturing companies are to take place in the near future. For these reasons it is most essential that the railway materials should be subject to protective import duty before long. Then to my mind duty may, for instance, on imported sugar be increased and also on cotton cloth in order to protect the sugar making in India from dying out and in order to revive the handlooms which at one time found employment for a large number of Indian weavers and the Indian agriculturists, when there are no works in the fields or there was shortage in agricultural production due to insufficient rains. We should also impose duties on export of oilseeds and wheat for encouragement of their milling into oil and flour in India except that in the case of wheat the duty should be on a sliding basis, rising with shortage in production and coming down with plenty of production, but, in all these connections the railway rates have got to go on with the tariff policy for it is no use imposing protective tariffs on, say, imported sugar if the railway rates for sugar from the port to the interior are made on a lower basis than for locally manufactured sugar. Similary, it is no good having tariffs on oilseeds for export if the rates for oil seeds are made lower to the ports than to the local mills in the interior and much higher rates are charged on oil manufactured in the interior. I have dealt with these particular points very fully in my printed pamphlet headed "A Note on Indian Fiscal Policy particularly having regard to the Railway Rates," copies of which were duly sent to the Committee.

12284. *Q.* 4 and 5. The imposition of tariffs in the past has not been purely in the interests of India. For instance. the interests of Lancashire had great weight in the matter of our tariff policy.

12285. *Q.* 6. I am entirely opposed to imposition of an excise duty on articles manufactured in India in order to counter effect the export duties on similar articles imported from abroad, except that excise duty should continue to be levied and increased on liquors and intoxicating drugs. Salt should be exempted from excise duty, whereas customs duty on salt may remain.

12286. *Q.* 9. Yes, I consider tariff should be framed mainly with the object of fostering local industries, and it is hardly necessary to explain the advantages anticipated thereby for they are incalculable. In the first place we will find employment for our labour, will manufacture our raw products and thereby increase the price we get at present by sending them in raw state, and, we shall save money enormously in the country by not having to buy foreign manufactured goods, such as sugar, cotton, cloth, etc.

12287. *Q.* 10. Yes, I am very hopeful of India becoming in time independent of other countries in regard to all requirements in manufactured goods. There may be one or two exceptions such as, say, caustic soda.

12288. *Q.* 11. I favour the imposition of protective duties on all foreign manufactured goods excepting those that are required for our industries, such as machinery boilers, chemicals, etc.

12289. *Q.* 15. I think special protection should be granted against foreign goods favoured by such means as dumping, bounty, subsidies or transport concessions.

12290. *Q.* 16. My attitude towards hand industries and particularly towards the cotton-loom industries is very sympathetic. I consider their maintenance and revival essential for the good of the great mass of the Indian population.

The modern power-driven industries are confined to certain places, *e.g.*, Calcutta and the suburbs, Bombay and the suburbs, Ahmedabad, Cawnpore, Nagpur, Madras, Cannanore, etc., and these find employment for only a fraction of the population of this vast peninsula. For the well-being of the Indian population it is imperative that Charkas and handlooms should exist in almost every cottage. They will find employment for the villagers, particularly in their off times and at the same time they will help the people in providing their own clothing and thus at least save to them the money that now goes out of the country in buying foreign cloth.

12291. *Q.* 17 to 19. I do not anticipate any danger in India by leading to combination among the protected manufactures. The industries are few and scattered and to my mind for many years the question of safeguard will not come in. And in regard to the bare necessities, such as cotton cloth, flour, and oil the village industries in the way of Charkas for spinning, handlooms for weaving, "Chakkis" for grinding flour, and "Ghannis" for crushing oil will prevent any monopoly, and, hence they must be encouraged, and, in respect of iron and steel goods, if the railway workshops are encouraged and are free and allowed the money, out of their revenue, to manufacture their own materials, the iron and steel industries will be kept in check in the matter of raising prices.

12292. *Q.* 20 to 24. An import duty for purposes of protection may cause an increase in the price but it will be only temporary and will be more than counterbalanced by the gains which protection will bring.

12293. *Q.* 25. I am one of those who believe that India by largely developing her industries and manufactures will for the first few years, reduce the foreign trade, but will certainly increase the internal commerce of the country, and will eventually develop its foreign trade on a different basis to that at present, namely, India will send its manufactured products. As it is, we have heard of America's demand for Indian pig iron, but if we get protection, and develop further we shall send our manufactured goods in a higher stage than pig iron.

12294. *Q.* 28. Yes.

12295. *Q.* 29. Such an organisition should be necessary.

12296. *Q.* 30 and 31. My prevous answers cover these.

12297. *Q.* 32 and 33. I consider the imposition of an export duty on food stuff firstly with a view to lower the cost of living in India, and secondly for purpose of encouraging their manufacture in this country and these can have no adverse effects. The increased prosperity of the country by development of industries, under protection, can only tend to improve the buying power of the Indian people, who will thus be able to retain for their food better kind of grains than they can do at present. Our agriculturists send out wheat largely and live on jowar, bajra and makai, and, the better kind of rice is sold and the lower grades of, say, Burma rice are imported by the ryots for food. This is done in order to find money for buying cloth, oil, etc., but if they produce their own cloth by charkas and handlooms and find more extensive employments in turning their raw products into manufactured goods they will not export wheat so largely and also not the better kind of rice, but will use them more largely for their good. And in place of jowar, bajra, makai, etc., the ryots will grow cotton and in place of rice, jute but I doubt very much whether the present production of rice is sufficient. I am sure that protection of industries and their development will not hamper the agricultural operations in any way.

Imperial Preference and Foreign Capital.

12298. *Q.* I am opposed to Imperial preference and to indiscriminate importation of foreign capital and as both mean exploitation and control, not beneficial to India in the long run and foreign capital even to a small extent debars Indians from taking prominent parts in industries run by non-Indians.

I will now show what this means. In the leading article of the *Railway Gazette* of the 7th October, 1921, headed "India's need for Railway materials, a suggestion for reducing unemployment" (of course unemployment in England is meant) the following opening remarks have been made :—

"Before the war the export of railway materials were from Great Britain to India, representing a large annual sum, the figure for the year 1913-14, being £8,884,000. Not that there was no competition. American bridges and German locomotives were found there but the great bulk of India's requirements came from Great Britain."

This article clearly admits that in spite of competition, British manufactures got preference and it was also suggested in the same article that British capital should be invested in these railways. We can therefore also understand the reason for the condition in the tenders that British standard specifications must be adhered to. Then the same article in the *Railway Gazette* of the 7th October 1921, in commenting upon transfer of Boards from London to India also says :—

"The element on the Board will be less and less in touch with British manufacturers than the present management in London, and the change coupled with the Indian Government's announcement to develop local manufactures of materials will not make it easier for the British manufacturers to get orders. This specially applies if the railways become entirely State managed." Of course, the Indian element on the suggested Boards, that some of the members of the Railway Committee asked for, is thus referred to, and the manufacture of materials in India is deplored, and State Management is not viewed so favourably because it would mean manufacture of materials in Indian Railway workshops. But India's point of view is wholly different. We must manufacture as far as possible in India, and in the matter of purchase of our Railway materials in Great Britain we must see that prices paid to the British manufacturers are on a competitive basis, and, looking at things, as they now appear to us, it seems desirable that a Committee should be in existence to compare the prices before orders are placed, and, it is also imperative that there must be Indian engineers in this Committee with technical knowledge who would be able to safeguard the Indian interests, which are clearly opposed to British interests in this matter. Not very long ago, it was said that the British manufacturers could not produce steel at a lower price than £14 per ton, while the selling price was higher by over 50 per cent, and, there is a great deal of the same difference in prices yet. Clearly, therefore, it is to the interest of India that either the British manufacturers should quote their prices on a competitive basis or that the manufacturers on the continent should be asked to supply materials. It is also imperative at the same time, to see whether strict adherence to British standard specifications are really so essential. From the questions asked and answered in the House of Commons and from the article in the *Railway Gazette* of the 7th October 1921, it is evident that the loan of ten millions sterling that is to be raised in that country at 5½ per cent. is to be earmarked for purchase of railway materials in Great Britain, and great cry in the country for the urgency of the loan, and for their being raised in that country seems to be to solve the question of unemployment in Great Britain and to largely assist in the import of British manufactured goods to India. But another very important feature is noticed in connection with the raising of loans in England, and, purchase materials in that country, when the two are taken together. A loan should be a loan with the condition that reasonable interest should be paid on it, and that it must be repayable within a reasonable time, but unfortunately these loans mean a very great deal of control on the part of the British people. Now with a difference of £5 per ton, between the prices of materials (steels goods) in England and on the Continent (*viz.*, £14 in England and £9 on the Continent) it is quite clear that we have to pay a 50 per cent. higher price on account of purchase from Great Britain. Consequently, therefore, when we should want 10 millions only, if we purchased on the continent, we would require 15 millions in order to buy in England, which means that in the first place our loan is extravagant, and, we unnecessarily borrow 50 per cent. more than we require and also pay interest in this money borrowed unnecessarily. This unnecessary expenditure amounts to millions of sterling. All this is done in order to find employment for the British people, and to benefit the British financiers. Even if 8 per cent. or 9 per cent. interest had been paid for this loan in India it would have meant money paid in the country, and the benefit would have been that of the Indian people, and coupled with this factor if purchases had been made where the best bargain could be made for India then even with 8 per cent. or 9 per cent. interest the eventual cost of the loan would have been less, because less money would have been required for the materials.

Then we see that although the foreigners in the jute milling industry own only an equal share of the capital (if not less) with the Indians they control and manage the jute mills with the result that in the management and in the running of the mills all the superior and responsible posts are held by Europeans but we see quite a different result in the case of the Bombay Cotton mills, which by the reasons of their being Indian owned, Indian managed and having Indian Directors are able to place Indians in all the responsible posts, who run the mills successfully. But this chance is denied to Indians in the British managed Jute Mills and they have not been trained.

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Mr. S. C. Ghosh on Railway Rates and Fiscal Policy.

Oral evidence dated Calcutta the 18th January 1922.

12299. *Sir Edgar Holberton.*—*Q.* I have read all your documents and I have studied them. Your view is that the Indian railway policy at present is on a commercial basis?

A. Yes.

12300. *Q.* And that you would like that to some extent changed?

A. Yes.

12301. *Q.* Of course you have made yourself thoroughly conversant with the report of the Railway Commission, and you are aware that they have recommended that the railway budget should be separated from the general budget?

A. I am opposed to it.

12302. *Q.* Could you just in a few words tell me what your objection is to the commercial policy of the railways?

A. My objection to the commercial policy of the railways is this: that they do not take into consideration how it affects the Indian industries. I was deputed to the Railway Board for two years to investigate this question of railway

rates, and the history of this question is fully set out in my "Monograph on Indian Railway Rates" which is a Railway Board publication The Industrial Commission when writing their chapter on Industries and Transport consulted me, and I would quote only this from their report: – "We may quote, without entering into details, the instance of sugar, the increased import of which coincided with the reduction of rates brought about by railway competition." The Government were imposing a duty on sugar in order to encourage the cultivation of sugar cane and manufacture of sugar in India, but the railways were at the same time reducing the railway rates on imported sugar. I would refer you to page 151 of my monograph where it is stated that the railways were losing money by their competition. The East Indian Railway found it necessary to quote low rates for grain and seeds in order to encourage shipment of wheat from India to Europe particularly *vid* the Calcutta port, from places in the United Provinces north and west of Cawnpore; it was noticed that during the first half of 1904 the weight of grain and seeds sent from Cawnpore to Calcutta was 91,000 maunds, and to Bombay 544,000 maunds. That led to the real competition. First of all the rates from the United Provinces to Calcutta were reduced. This was followed by an all-round reduction in the rates not only to and from the ports of Calcutta and Bombay but also at all competitive points between the Calcutta and Bombay lines, *viz.*, between Jubbulpore and Delhi, Agra and Cawnpore, Manikpur and Delhi, Agra and Delhi, etc. By this competition the rates were reduced to the lowest scale. The railways at last said that this was not good enough and that they were losing a tremendous lot of money by this competition. Even though the Government is the main partner in these railways they are unable to interfere when the companies go on recklessly competing in this way.

12303. *Q.* Your first point is that owing to competition the rates between the ports and Central India become fixed on a much lower basis than internal rates?

A. Yes. The railways in support of that say "We get long leads and therefore we must reduce the rates." What is the result? The United Provinces Government were crying against the harm done to their tanning industry. This is what Mr. A. C. Chatterjee, now in the Industries Department, says in his notes on the industries of the United Provinces: "The local industry in leather has, on the whole, suffered considerably by the large demand in Europe and America for Indian hides and skins, and by the competition of foreign made goods. The encouragement of exports in raw hides and skins helped to make the competition of foreign made leather goods in India formidable, and the Indian industry in leather was consequently hampered. India supplies raw materials to foreign countries which compete with Indian made goods, and the railways practically encouraged the export of raw material out of India by the lowest possible rates." "Another disquieting feature," says Mr. Chatterjee, "of the traffic was that there was a notable decrease in the export of dressed hides and skins. The local industry has no longer any share in the preliminary process of dressing the goods exported."

12304. *Q.* Can you confine yourself so far as possible to the railway question?

A. At the same time as this was being written the railway companies were reducing the rates for the export of raw hides from that very area to the ports against the rates to the tanneries of Cawnpore.

12305. *Q.* What I want to know really is what in your mind is the objection to this commercial policy of the railways.

A. My first objection is this: that the railways being owned by the Indian tax-payers, they should not be worked against the economic and industrial development of the country.

12306. *Q.* You say it is against the industrial development of India?

A. There are several sides to the question. These long leads cheapen exports of raw produce instead of manufactured goods. Please refer to the evidence of Mr. Vikramjit quoted by me in my note.

12307. *Q.* I accept your position that the railway policy has been based on long leads. You say it is bad, because in the first place it prevents the industrialisation of India. I am not going to ask you any questions about the desirability or undesirability of the industrialisation of India. But would you have exports?

A. I would have exports of manufactured goods instead of raw produce.

12308. *Q.* That is your policy. If you have equal rates all over India would you not kill the possibility of any industrialisation of Central India? These people have to import machinery and they have to import all sorts of things to keep their factories going?

A. It would not affect them in the least.

12309. *Q.* Would you like them to pay the full rate?

A. Yes.

12310. *Q.* On everything which they need for production and everything they want to export would you like them to pay the full rates?

A. I would make a preference in the case of manufactured goods. India is a great wheat producing country, but our export of flour is very small compared to the total export of our wheat.

12311. *Q.* Would you accept long leads for Indian manufactured goods?

A. I would.

12312. *Q.* Would you charge more from Bombay to Cawnpore than you would charge from Cawnpore to Bombay?

A. Provided it is an Indian manufactured article.

12313. *Q.* At present is the tariff higher from Cawnpore to Bombay than from Bombay to Cawnpore?

A. From Bombay to Cawnpore the tariff is low for imported goods such as sugar, but if an Indian manufacture is sent from Cawpore to Bombay the freight would be higher. From Cawnpore to Bombay the freight is low on cotton and oil seeds, but the freight is high on yarn and oil.

12314. *Q.* Can you say quite definitely that these tariffs have been built up with a view to assist imports?

A. The moment a new railway was opened low rates as far as possible were given for wheat to the ports and also on imported goods such as sugar, kerosine oil, piecegoods and iron goods, and things like that. The moment it came to any one asking for a low rate from Allahabad to any other station not on the way to the ports, it would take months for him to get it if he gets it at all.

12315. *Q.* Your contention would not be that this scheme of rates was fixed with a view to averting the industrial development of India?

A. I am not bringing a direct charge: the result was only accidental. My point is this: whether it was the policy or not, the effect was that.

12316. *Q.* Do you think that supposing the policy was reversed and an all round rate with preference for Indian Industrial products was brought in there would be a large loss on the railways?

A. Not in the least. What I want to point out is that the Indian industries would bring the railways double load. You bring to the mill wheat and you take back flour. You bring cotton and you take back yarn.

12317. *Q.* Have you made up any scheme of tariff which would be on a paying basis?

A. I was doing that, but the Railway Board said it was not wanted. I have now left the Railway Board.

12318. *Q.* Who settles the policy of these freight rates? Is it the Railway Board or the Agents of each railway?

A. The Railway Board fixes the maximum and the minimum. But the Railway Board did not know their own powers. They could even within the maximum and minimum regulate the rates.

12319. *Sir Edgar Holberton—Q.* It was very difficult for them to do?

A. If I were in their place I would have done it.

12320. *Q.* Your system will really be a system of transport assistance?

A. My system will be that to a certain extent. Under my system the Indian railways would be worked on the same basis as the railways in Germany and Belgium.

12321. *Q.* These are state railways pure and simple. Do you think it is practicable to work them as state railways without any substantial loss or revenue?

A. Certainly. I can guarantee that there will be no loss of revenue. I can work them at a profit. For this reason I have suggested to the Fiscal Commission on page 28 of my Note on the Fiscal Policy of India to ask for certain statements from the railways.

12322. *Q.* It is a very large question. I am not prepared to go into that?

A. If these statements are received I can show that you can work them at a profit.

12323. *Mr. Coyajee—Q.* Mr. Ghose, I will put you only one question on the financial aspects of the suggestion which you have made. It is this. By going against the present policy you would check exports and imports and would thereby reduce the railway revenue. Would it not be so?

A. No.

12324. *Q.* Because at present the railways are encouraging trade to and from the ports. You would raise the rates on these and consequently the imports and exports would be reduced.

A. To a certain extent that may be so. But the industries would bring double load. If the railway income from wheat is reduced the income from flour will increase. For instance, on page 37 of my note I have said "You need not consider the possibility of establishing a flour mill at Chunar or any other place similarly situated, for while the grain from Delhi is taken past your door to Howrah for an inclusive charge of Rs. 0-7-6 per maund you have first of all to pay Rs. 0-6-3 per maund for bringing the grain to your mill and further Rs. 0-6-0 per maund to carry the flour to Howrah."

12325. *Q. Apropos* of that I would draw your attention to this fact that gentlemen belonging to various interests who have come before this Commission have never failed to ask for special concessions in railway rates in order to assemble their raw materials from the different parts of India and also for carrying the manufactured goods to their markets. Industry after industry has been asking for special railway rates for taking the raw materials to the factory and again for carryiug the manufactured goods from the factory.

A. No reduced rates at all are necessary. If you level up the rates to and from the post you need not reduce the rates at all. Why they are asking for reduced rates is because they cannot stand the competition of the foreign exporters and importers. If the railway rates are levelled up their request would be complied with. Sir Ernest Low when in the Industrial Commission examined these things very carefully, and these very questions were discussed and it was found that the remedy lay not so much in the levelling down as in the levelling up.

Oral evidence of Mr. Ghosh on railway rates.

12326. *Mr. Mant.*—*Q.* With reference to railway rates, I understand you have been in the Railway Board.

A. I was in the Railway Board from 1917 to 1919 to write the "Monograph on Railway Rates."

12327. *Q.* You were then employed on a temporary basis.

A. Yes.

12328. *Q.* Why did you leave it?

A. I left it as my work was over.

12329. *Q.* I suppose you put these criticisms before the Railway Board.

A. They are in the book.

12330. *Q.* Can you tell me where we can get any statement from the other side? Has any one, either the Railway Board or a representative of the railways, given any account of their policy? We would like to hear both sides.

A. There is the Railway Board.

12331. *Q.* Is there any published document giving the accepted policy of the Railway Board?

A. So far as the rates are concerned, my book is the only document.

12332. *Q.* There is no other?

A. No. My book was published with the authority of the Railway Board.

12333. *Q.* There is only one other question. You refer to the competition between the railways in the matter of lowering rates from the United Provinces.

A. Yes.

12334. *Q.* Did not that competition by lowering rates result in the agriculturists getting higher prices for their produce?

A. No, it did not. The middlemen made money.

12335. *Q.* Higher prices were paid for the produce but it stuck in the hands of the middlemen?

A. Yes. But the price of the wheat going to the United Kingdom is not affected by the price in India. The price paid in India is regulated by the European price, so far as wheat is concerned.

12336. *Q.* You say that the middlemen took all the money. It is a matter which is impossible to prove.

A. This is explained in pages 305 and 306 of my book.

12337. *President.*—*Q.* Mr. Coyajee pointed out that the change of railway policy might reduce the revenue, but you have given an answer to that. I won't deal with it now. I would put another aspect of the question to you. If industries are developed, you said that the railways would have double load and therefore their revenue would be increased. There is another source. The railways are State owned and most of the net profits go to Imperial revenues. Therefore the State would, if the industries are quite successful, get substantial revenues by means of income-tax, super-tax and various other taxes, so that even if there is a small diminution in the railway returns, it will be more than compensated by the increased revenues in other directions by the development of industries.

A. Yes. One thing I would point out. Mr. Robertson is an authority on the subject. I have quoted his opinion on this very thing *vide* page 233, paras. 7 and 8 of my monograph on Indian Railway Rates.

A note on Fiscal Policy for India particularly having regard to Railway rates by S. C. Ghosh, 1921.

FOREWORD.

12338. I have compiled this note for the information of the Fiscal Committee, that is to sit shortly. To my mind, for the solution of the tariff problem of India it is necessary that, amongst other things, the Railway Rates policy of the State owned trunk lines should be carefully investigated, because the past policy of the railways was plainly directed towards encouragement of exports of raw produce and imports of foreign manufactured goods by quotation of special rates for these to and from the ports on the ground of encouraging long distance traffic, and also because the Railway Managers were trained in the belief that India's chief industry was agriculture and that it was to the interest of the Railways to encourage large exports of agricultural productions. Also the Railway Managers, in this connection, relied on the policy carried on by the English and American Railways, forgetting that the trunk lines of India were (certainly they are now) practically the property of the State and, that they were built with the avowed object of developing India's resources and for the good of the people. The policy of working Railways adopted in England and in America, purely from a commercial point of view for the benefit of the shareholders, could hardly, at least at the present time, be applied to Railways of our country, seeing that they are owned by the Government. The chief duty of our Railways lies in encouraging India's local industries and in helping the population to make most out of their agricultural productions, before exporting any surplus, and to protect her crafts and industries from invasion of foreign competition, in order to enable the country to become both commercially and industrially great.

I thrashed out the whole question of railway rates, while I was with the Railway Board from July 1917 to January 1919. The results of my work were published in the form of a book entitled "A Monograph on Indian Railway Rates." It is a Government of India publication and extends over 600 pages; copies of it could be had either from the Railway Board or from the Superintendent of Printing, Government of India, Hastings Street, Calcutta.

I have tried in this present note to draw attention to such passages in that publication as may be useful in connection with the consideration of the tariff problem for India, and the opinions that I have herein expressed are the result of very careful consideration and are based on facts; and these opinions are formed after 25 years of careful study of the subject and practical experience. If this note is of any use I shall be amply rewarded for my labours.

12339. I owe my thanks to my valued friend Mr. J. K. Mehta, M. A., Secretary, Indian Merchants Chamber and Bureau, Bombay, for it was he who encouraged me to write this note.

53, Lansdowne Road,
Calcutta, September 1921. } S. C. Ghosh.

12340. 1. In the pamphlet entitled "More Truths about India", for 1915, which was a second issue of leaflets by the East India Association, in England, the following remarks appeared:—

> "The retention of India, and of a contented India is essential to the well being of the British Empire as a whole. The sea-borne trade of India is the largest within the Empire, save only that of the United Kingdom. India sends far more food and raw materials to this country than any of the Dominions. She purchases far more British

produce and manufactures than any of the Dominions, *and her needs make her* the mainstay of the Cotton mills of Lancashire."

* * * * *

"The United Kingdom enjoys 63 per cent. of the value of imports into India."

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"It is recorded that in the past year (1911-12) Java exported to India no less than 9,310,252 cwts. of cane sugar, notwithstanding the fact that India is the largest producer of cane sugar of any country in the world."

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"The aggregate value of the imports into India of cotton yarn and cotton goods in 1912-13 was £40,518,000. Nearly the whole of this came from Lancashire, and the amount is just double of what it was 10 years ago."

2. The above quotations fully justify the following remarks of Mr. Jehangir Bomanji Petit, made in the course of the delivery of his presidential address at the Indian Industrial Conference held at Delhi on the 31st of December 1918.

"To a student of our trade returns, it is painfully evident that at present India is almost entirely an exporter of raw materials and a heavy importer of nearly all her finished products."

3. The following observations, quoted from the speech of *late* Mr. G. K. Gokhale, C.I.E., the great Indian statesman, are worth reading. (This speech was delivered at the Benares Indian National Congress, of 1905, of which he was the honoured President.)

"Take the question of cotton piece-goods of which we import at present over 22 millions sterling worth a year. This is by far the heaviest item among our imports and our present Swadeshi agitation is directed mainly towards producing as much of these goods in our country as possible. I have consulted three of the best experts available in India on this subject; Mr. Bezanji of Nagpore, the right hand man of *late* Mr. Tata in mill matters, the Hon'ble Mr. Vithal Das Damodar Dass, who has written an admirable paper on the cotton industry for the Industrial conference and has kindly placed a copy of it at my disposal, and our friend Mr. Wacha

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"The essence of Free trade is that a commodity should be produced where the comparative cost of its production is the least, and that it should be consumed where its relative value is the highest; and if accidental circumstances have thwarted such an adjustment in a given case, any agency which seeks to overcome the impediment, works in the interest of true Free trade. Now every one will admit that with cheap labour and cotton at her own door, India enjoys exceptional advantages for the manufacture of cotton Goods; and *if the Swadeshi* movement helps her to regain her natural position in this *respect, a position which she once occupied but out of which* she has been driven by an extraordinary *combination of circumstances, the movement* works not against but in furtherance of true Free trade."

4. The Hon'ble Sir Surendra Nath Banerjee (Mr. Surendra Nath Banerjee then) in his able speech at the Ahmedabad Congress in 1902, of which he was the President, said thus on the loss of India's position as a great manufacturing country of cotton and silk goods:—

"The European traders were first attracted, not by our raw produce but by our manufactured ware. The fame of the fine Muslins of Bengal, her rich silks and brocades had spread far and wide in Asia as well as in Europe. Where are they now? They have practically disappeared." Sir Surendra Nath Banerjee quoted as follows: "The arts of spinning and weaving says Sir Henry Cotton which for ages afforded employment to a numerous and industrious population have now become extinct. Families which formerly were in a state of affluence have been reduced to penury." Sir Surendra Nath next quoted the exclaims of Sir James Caird. "There is no class of men whom our rule has proved harder upon than the Indian weaver and artisan." Sir Surendra Nath continued as follows:—

"What was it that brought about the extinction of our manufactures? What destructive force was in operation to produce this dire result? I will not answer the question myself, but will allow an Englishman to speak; and he shall be no other than the distinguished Orientalist, whose knowledge of Eastern countries in general, and India in particulars, was so unique.

"The British manufacturer," said Horace Wayman Wilson, "employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms. It was the fixed policy of the British Government and of the East India Company in the early days of British Rule to discourage Indian manufacture and to encourage the growth of Indian raw produce. 'This policy, says Mr. R. C. Dutta, in his Economic History of British India,' was followed with unwavering resolution and fatal success. Orders were sent out to force Indian artisans to work in the company's factories; commercial residents were legally vested with extensive powers over villages and communities of weavers. Prohibitive tariffs excluded Indian silk and cotton goods from England. English goods were admitted into India free of tax, or on payment of nominal duty."

"These measures produced a disastrous effect on Indian manufacture. Let us look at the figures. In 1794 India imported from England only £156 worth of cotton goods; in 1800 the imports had swelled to £19,595, in 1806 they had increased to £48,525 and in 1812 to £101,306. Cotton goods and silk goods were the national manufactures of India. They were subjected to a heavy tariff. British cotton goods paid a duty of 3½ per cent. on being imported into India. Indian cotton goods paid a duty of ten per cent. on being imported into England. British silk goods paid an import duty of 3½ per cent. in India; Indian silk goods paid an import duty of 20 per cent. in England. This was the state of things in 1840. Our cotton manufactures had then practically died out. The import of Indian goods into England had dwindled to one-fourth in twenty-one years (from 1814 to 1835) from 12 lakhs of pieces, to 3 lakhs of pieces, while the import of British cotton goods into India had increased fifty times within the same period, *viz.*, from less than a million yards to over fifty million yards. But Indian silk goods still maintained their footing, and though heavily weighted, carried on an unequal competition. But even this was not to be. In vain did Mr. Larpent, Chairman of the East India Coy., plead in his evidence before the Select Committee of 1840 for the reduction of the duty on silk goods to save it from the fate which had overtaken Indian Cotton goods. It had been the settled policy of England in India ever since her rising in political power, to convert India into a land of raw produce for the benefit of the manufacturers and operatives of England. And one of the members of the Select Committee, Mr. Brooklehurst, openly avowed this policy when he said:—

"It would be more desirable perhaps that India should produce the raw material, and this country show its skill in perfecting that raw material." "The course of things in India," replied Mr. Larpent, "is leading to that ....But I submit that as this is *the last of the expiring manufactures of India* the only one where there is a chance of introducing the native manufactures, at least let it have a fair chance." The chance was not given. British silk goods and Indian silk goods were both imported into France. In fair and open competition the Indian silk goods commanded a wider sale at the French market. The jealous susceptibilities of the British manufacturers were roused. The importation of Indian silk goods into France was prohibited, and British goods had in consequence a preference with French buyers. But as soon as the prohibition was taken off, the British trade to France was practically annihilated. This was too much for the British manufacturers. They would not stand it. They were resolved to drive Indian silk goods from the only foreign market that was open to them. The prohibition was renewed and the last of the expiring manufactures of India was crushed out of existence. Would there be a more melancholy tale of unfeeling selfishness and cruel injustice which destroyed our manufactures and drove the great mass of our popula-

tion upon the soil, to wring from it a bare subsistence when they could and to die in their millions when they could not. I am free to admit that the application of steam to the development of manufactures completed the downfall of our indutsries. But selfishness rather than science is responsible for our industrial ruin."

This was the real history of the destruction of India's principal industries, and the Indians have been crying in vain for their revival.

5. The Indian Industrial Conference of December 1918 passed the following resolution on the question of Fiscal autonomy:—

"The conference places on record its deep sense of regret at" "the exclusion of the consideration of the question of the fiscal policy of Government from the scope of the Industrial Commission. The conference is emphatically of opinion that the Industrial and commercial development of the country on sound national lines, as is contemplated by the recommendations of the Industrial Commission report, will be impossible to attain, unless India is granted complete fiscal autonomy, and urges upon the Government the necessity for the immediate grant thereof in the interest of the economic and industrial regeneration of the country."

6. And the President of the said Indian Industrial Conference said as follows in his presidential address:—

"It is absolutely necessary that India should have complete fiscal autonomy. Nothing short of this will satisfy the people of this country; nothing less will enable her to become industrially independent and great; and India should not rest content unless and until she has got it. It is pure camouflage to urge that the possession by India of fiscal freedom and her unrestricted use of it to protect her infant industries, will clash with England's free trade policy. I hope there is no one so foolish in India still existing, as to take such an argument seriously at this stage of our history. If the colonies can remain in the Empire and still arrange their tariffs to their own advantage and for their own benefit, even against England, if they can thus advance their own interest without damaging those of the Empire, I fail to see why India cannot; unless it is sought to be made out in so many words that India is to continue to be the Cinderella of the Empire for all times and that what other parts of the Empire claim with justice and obtain as a matter of right, India cannot. It is no exaggeration to say that this country will not regard any settlement about her industries as satisfactory, unless this question is solved according to her wishes and her requirements."

"Speaking of the policy of free trade that is forced on this country by England, we must clearly realize that it means, in other words, protection for England. This was admitted by even so anti-Indian an Imperialist as Lord Curzon in one of his utterances. If we had fiscal freedom and were allowed to impose duties on imports to protect our industries, it would bring more money into the pockets of the Manufacturers, which, when full, would enable them not only to develop their own industries but would also afford ways and means for exploiting the markets of the world. I fail to see why England should thus protect her industries at our expense by compelling us to keep our doors open to receive her goods duty-free. Whilst even such highly advanced and scientific countries like Germany, America and Japan were forced to take the aid of tariff in order to develop their resources poor India is expected by the Government, and I am sorry to add, even by some Indian faddists to build up her industries with the help of science alone. It must be remembered that though in the building up of industries, science is a great and an important factor, it is by no means everything. It is a patent fact that Germany tried free trade after the Franco-German war, but had to abandon it in 1879. France also tried her hand at it, but failed. England, after building up her nascent industries with huge protective walls extending over centuries and wiping out infant Indian Industries out of existence by imposing on them, among other measures, prohibitive import duties in some cases equivalent to 80 per cent. is now maintaining her trade with India and forcing her goods into India, through indirect protection of the character I have ventured to describe to you."

"While on this subject, I cannot resist the temptation of alluding to a reference that was made about 2 years ago in the House of Commons to free trade by Mr. Bonar Law, which is sure to be of interest and is certainly not without its significance. Mr. Bonar Law, in the course of a discussion, said that India knew very well that free trade was not for India's benefit and that it was mere hypocrisy for Englishmen to say that it was for her benefit. Lord Crewe, the then Secretary of State for India, in the course of a speech in Lancashire, said in reply that it was very wrong of a person in the position of Mr. Bonar Law to say that free trade, that England has imposed on India, was for England's benefit; and that such sentiments ought not to have been expressed in England as they were sure to affect the feelings of the people of India. Mr. Bonar Law maintained however that what he said was perfectly true; but as far as England was concerned, he wanted India to be a free trading country, as her markets were precious for England..... Ladies and Gentlemen, the sum total of this discussion is that both sides want to exploit India. The aim is identical; the difference is only one of method. We are often told that England will never allow India to impose duties on her goods. England has always declared that she is a selfless Trustee and holds India for India's good. I am sure, I am echoing your sentiments, when I say that she has no title to such a claim so long as she persists in maintaining, in this and similar other matters of equal importance, such an unreasonable and outrageous attitude as I have endeavoured to describe."

"If the report of the Industrial Commission is remarkable for the boldness and originality of the recommendations it makes for the future, it is no less so for the many admissions it makes in numerous places of the defects of the Government policy in industrial matters in the past. The measures now recommended, however, and similar other steps should have been taken more than half a century ago; and no Government with a full and adequate sense of its responsibility to the people over whom Providence has called it to rule, can be excused for neglecting these preliminary steps which are essential to the industrial development of any country. There is ample evidence of a very concrete and substantial character to enable us to come to the conclusion that on the whole, the Government of India has not done its duty to this country in the past so far as its industrial needs are concerned."

"With her vast natural resources, her inexhaustible supply of most raw materials, her abundant mineral wealth, her enormous population, her climatic conditions of every possible kind, there is little which India cannot achieve industrially; there is almost nothing which she cannot produce and manufacture. In industries at least, this country is fitted to give law to the world—Nature has dealt kindly and generously with her. It is only man that has neglected to do his duty by her. If India is to progress industrially, she should be left untramelled and allowed to find out her own peculiar requirements, to have complete control over her finances, to adjust her tariffs; and in short

to work out her destiny in the best way suited to her. "I wonder if *British statesmanship will rise to the full height of its stature and leave India free to develop the spirit, the genius and the soul of her people according to her* wishes."

7. That India wants very badly full powers to regulate its tariffs (both foreign trade and for transport) every sensible man will admit; the Indian publicists urging for this for years. Without such powers given to her it will be impossible for her to rise in prosperity either commercially or industrially. So long it cannot freely regulate its tariffs, India will remain a dumping ground for foreign manufactured goods and an exporter of raw materials—a serious economic drain on her.

8. We have seen that in the past India has been a very large exporter of wheat, rice, oil seeds, cotton, etc., and importer of piece goods, and other manufactured articles.

9. As to wheat, it is often asserted that the Indian ryots are benefited largely by the exports. In this connection I think it may be interesting to quote the following extract from an article by Mr. R. D. Mehta, that appeared in one of the Calcutta papers in September 1911 :—

"The impression is that the Indian cultivator makes a large profit out of the export trade, and this point requires analyzing. According to Sir James Wilson out of £7,000,000 paid by the British buyer for 18 million cwts of Indian wheat in 1907 the Indian farmers received £5,000,000 or say 7½ crores of rupees at the average price of say Rs. 3-1-0 per maund, but taking Rs. 2-4-0 per maund, as the cost of producing wheat, the actual gain of the Indian farmer dwindles down to two crores and ten lakhs of rupees out of which the farmer has to pay his rent to the Zamindar (landlord) or to the Government direct, maintain his family during the months when there is no work in the fields, make provision for seeds for the next season and to feed his cattle. The railway earnings by the carriage of wheat was 1½ crores, the steamship companies got one crore and 20 lakhs and the middlemen 45 lakhs so that while the farmer's gain was two crores and ten lakhs, others earned over three crores of rupees.

9A. No one will deny that there has been an increase in cultivation, but the widening of the markets for ultimate disposal, due to railways and steamships, and to the policy of the railways in encouraging export of wheat in its raw state from India, led to the exports being largely made, irrespective of whether or not Indian made most out of its raw products. It is true that the Government temporarily stopped export of wheat but the policy has got to be very carefully considered as to whether it is not the duty of the Government to see that there is more unrestricted movement of food stuffs *e.g.*, wheat, rice, flour, etc., in the country, assisted by elastic railway rates, and protection by India's tariff and removal of low export railway rates.

10. In 1911, in an economic paper written by me, following remarks were made in regard to railway rates for wheat and flour :—

"The wheat exports of India are out of all proportion to the comparatively small proportion of wheat flour, shipped from the country, The figures of exports of both the articles of commerce are shown below side by side :—

	Wheat. cwt.	Wheat flour. cwt.
1907-08	17,609,183	744,380.
1908-09	2,195,145	602,087.
1909-10	21,011,484	701,082.

"The year 1907-08 was unfavourable to the wheat crop of India, but the year 1909 saw the return of favourable conditions as to wheat production. It is observed that during the twelve months from 1st April 1909 to 31st March 1910, more than 21 millions of cwts. of wheat were exported, whereas the shipment of flour were but 7 hundreds, thousands cwt. or the proportion of flour exports to those of wheat was so insignificant as three per cent."

"The value of 21,011,484 cwts. of wheat exported in 1909-1910 amounted to Rs. 12,70,90,884 or Rs. 6 per cwt. or say, Rs. 4-7-0 per maund, while the value of 701,082 cwts. of flour shipped out of India was Rs. 59,38,155 or Rs. 8-7-0 per cwt. or Rs. 6-4-0 per maund, so that if India could export wheat flour instead of wheat, her gain would be say Rs. 1-8-0 per maund or much more than three crores of rupees per annum. It is said low grade of flour is produced in the flouring mills in India, but the cost of transport comes in the way of any extensive business being done in export flour; the quality of wheat flour is not so much against expansion of flour trade abroad, for the large exports of the American flour are of low grades of production. It is true that the raw material commonly takes a lower rate than the manufactured product, and for this there is usually a substantial reason in favour of the railway, but this is not by any means an universal rule, and the uniform practice of carriers in America for years was to charge the same rate upon export wheat and flour; and this probably accounted for the United States being the only country producing wheat, which exported large quantities of flour. It is held that higher transport charges on wheat than on flour are not beneficial to a country largely producing wheat, for it is a fact thatthe English millers, taking wheat in enormous quantities mill not only for home consumption, but for foreign markets as well, and it is not right that the English millers should profit at the cost of Indian millers.

11. I consider the export railway rates for wheat have got to be much higher than for flour, in addition to an export duty on wheat; if such duty is imposed this measure is bound to increase milling of wheat in India into flour. It is the bounden duty of the Government to see that Indian Railways, owned by the Government are worked fully to the interests of Indian Industries. Recently I wrote an article on Indian Railways, in which I stated as follows :—

"Rail road Transportation, if run purely for profit, cannot serve that object in developing national resources and industries and be worked for the benefit of the country, whereas if rail road transportation was the agency of service and profits of the rail road were entirely utilised for national service the prosperity of the country would inevitably be secured."

"Mr. Lloyd George, when he was the President of the Board of Trade in England in 1908, laid great emphasis on the fact that the German and Belgian Railways, being State owned and worked, were used in the interest of the industries of those countries. Sir H. Barron, in speaking of the State Management of the Railways in Belgium, in an official report to the British Government, expressed the opinion that it was certain that if managed solely as a commercial enterprise the Belgian State Railways would not have proved such a stimulus of national prosperity. This is exactly what the Indian public have said and have asked for. They say that their State owned railways should not be allowed to be worked by companies and solely as commercial enterprises."

12. We want our railways (which are the property of the Government and, therefore, of the tax payers, who for years bore the brunt of the Guaranteed interest, paid to the English companies, and were taxed for this purpose, and have found money for the purchase of railways very largely) to render national service and not to work against the interests of India's industrial development and comfort of the people; any reform in the export and import tariffs to protect India will be of no use unless the railway tariff policy is also materially altered.

13. We should not allow millers in other countries to mill our wheat into flour and to utilise the bran for their cattle food and to sell flour to other foreign countries. We should do all this in India. In Sir James Wilson's memorandum on wheat for the British market he said "the Eastern ports of the United States now practically export only flour" and Canada too was exporting flour largely. But India sends mostly wheat. We must do all we can to export more flour than wheat, and to obtain for our people the profit of milling wheat. Until there are funds for starting flour mills in India on a big scale we must even encourage milling of flour in small steam or electric-driven "chukkies," and even in hand driven "chukkies," and the railway rates should be so manipulated as to encourage local distribution of wheat and the export of flour instead of wheat.

14. The above remarks apply with greater force to oil seeds :—

We have seen large exports of oil seeds from India. In this connection I can do no better than

quote the following from a report of the Director of Industries, U. P.

"There is a chance of better yield of oil and of a better quality, because when crushed fresh the oil cells yield their oil more readily in a warm climate than in cold. Here again, we have the factors in favour of manufacturing the oil in India, seed available on the spot and a climate more favourable than that of Europe for the purpose of manufacture.

* * * * *

"The markets, which have hitherto received their supplies of cake from the oil presses of Europe can be supplied from the surplus cake which will be available here."

"We exported from the provinces during the year 1913-14 a total of 11,609,672 maunds of oil seeds 40,512 tons of a value of Rs. 5,79,32,700 or £ 3,862,180 all to be used for the extraction of oil."

"Even if half the oil seeds grown in the provinces were crushed locally it would provide work for 800 mills of the size of the Premier oil mill of Cawnpore working 24 hours daily throughout the year; and it would be possible to use cake more freely in some cases as cattle food and in others for manure, perhaps, thus compensating the soil for some of the fertility taken from it. At present we take everything from the land and give back nothing, an economic drain akin to living on one's production.

15. Oil cake is very valuable to the well being of this country, and its retention in India is most important, for it is very nutritious cattle food and some of the oil cakes is an important manure. By export of oil seeds freely, as we have done in the past, we lose this valuable cattle food and manure.

16. We find the following in a pamphlet entitled "Practical Hints for oil mill Managers and Superintendents" issued by an oil mill machinery manufacturing company of Dayton, Ohio, U. S. A. (Buckye Iron and Brass works).

"While oil cake is really a by-product its manufacture and sale are equal in importance to that of oil, and although letting a smaller price per pound, its value has been a great influence on the course of oil prices and the policy of the business as a Unit. Practically the exclusive use for cake is a food for live stock, chiefly for fattening cattle and for obtaining good dairy results."

This fully confirms what the Director of Industries, U. P., said.

17. Although linseed oil has no value as an edible oil, mustard seed and Til seed oils have great values as such, and the railways in the past encouraged wholesale export of oil seed by very low rates; the absolute minimum rates allowed by the Government was charged on oil seeds from U. P. to the ports for a very long time mainly in order to encourage oil seeds for export and relatively much higher rates were levied on oil, and no lower rates for oil cake than for oil seeds did exist in many places. This meant that the railways did not encourage pressing of seeds at the producing centres, and Mr. Silver, the Director of Industries, U. P., was fully justified when he remarked "that at present we take every thing from the land and give nothing back."

18. Protective tariffs (both in the way of duty and railway rates) are badly needed to prevent this "economic drain" on India's oil seed producing centres.

19. I can do no better than quote the following from pages 409 and 410 of my "Monograph on Indian Railway Rates" (published by the Government of India in 1918).

"The point is whether the following factors do or do not operate against the rapid growth of oil milling industry in India.

(*a*) The flow of seeds out of India, encouraged by low export rates.

(*b*) The Railway rates for oil seeds for crushing in the local mills at places like Cawnpore, Lahore, etc., being comparatively on a higher basis, due to short leads, the tendency is to discourage milling at the oil seed producing centres and to encourage exports and milling of seeds at the ports, thus depriving the producing centres of

(1) employment of labour in the mills,
(2) oil cakes, and
(3) the profit in producing oil.

"Although the railway gets a good traffic in seeds for long leads Mr. Silver, the late Director of Industries of United Provinces, has shown that it is to the detriment of the interest of the province, in which seeds are produced, to export them in their raw state.

(c) The scales of rates of the various railways shown in the chapter on wheat, which apply to oil seeds as well, indicate clearly that on certain railways the short distance rates are high.'

* * * * *

(*e*) Whether or not the rates for oil should be made lower than they are at present. The difference between the rates for oil seeds and oil may perhaps be all right from the point of view of difference in the prices, but whether the present rates prevent free milling of oil seeds at the oil seed producing centres and encourage export of oil seeds to the ports is an important question and requires sifting enquiry."

(*f*) The oil cake rates are low enough when booked locally over one railway, although for instance (as clearly shown in the chapter on "Through Rates" on page 226 of my "Monograph on Indian Railways Rates") the rates of the Bombay, Baroda and Central India Railway for oil cake are higher distance for distance, than those of the East Indian Railway. Also when the traffic is carried over more than one railway the rates become high as shown also in the same chapter, *viz.*, that on "Through Rates." This is very wrong; when carried for through distances for Indian consumption the rates should come down instead of going up; that contrary is the case has been proved conclusively on page 226 of my "Monograph on Indian Railways Rates"; and this is so in cases of internal traffic whereas port traffic in oil seeds enjoyed low rates when booked through, by an arrangement between Railways whose policy had been to encourage exports of raw produce. This will be proved by reading pages 225 and 226 of the said publication, which will shew that in the case of port traffic through low rates were quoted between Railways and that at the same time low rates on distances over two or more Railways were not quoted when the traffic was other than port traffic.

"(*g*) Whereas the railway rates for oil seeds vary between one-third and one-eighth pie per maund per mile, the rates for oil generally are higher, for the most part 'class rate;' one-third pie rate is the average for vegetable oils whereas one-sixth to one eighth pie rates are levied for oil seeds carried for long distances locally over one railway. Some railways, for instance the East Indian Railway, had special rates for oil from Cawnpore to Calcutta, but low rates for oil carried for long distances are not at all as common as the low rates for oil seeds to the ports.

20. In connection with the import of Java sugar into India, I beg to draw attention to the following remarks on pages 229 to 232 of my 'Monograph on Indian Railways Rates' (1918) :—

"The sugar industry of India has been receiving a great deal of attention on the part of the Government, and the heavy imports of Java sugar are not in the interest of the sugar industry of the country. The rates for sugar from the ports to the interior were first reduced during 1904. *Just a year before the Calcutta and Bombay competition started.* They were further lowered during the competition in 1905. It is during the last ten years that Java sugar has found an extensive sale in this country. Java sugar is produced very cheap. The prime cost of sugar in Java was given at Rs. 4-2-0 per maund, the cost of producing superior white sugar, including all expenses was said to be Rs. 4-9-2 per maund; and even taking interest on capital the total would come to Rs. 5 or Rs. 5-8-0. It compared very favourably with the minimum price of Java sugar in Calcutta which was at Rs. 11-4-0 per maund before the war. So that Java made handsome profits out of sugar exported to India. The steamer freight was then but a fraction of the latter figure (*viz.*, Rs. 11-4-0), the price of sugar in Calcutta. It is questionable, therefore, whether this traffic ever needed further subsidy in the way of cheap railway rates that were quoted from the ports to the interior. Even if the rates for Java sugar were full maximum rates the railways would not have lost the traffic but the profits of the Java producers would have been less."

"The reduction in their profits would have been the gain of the Indian Railways, and consequently revenues of India."

"The Public side of the case is that in instances where the local industries of India are affected by imports whether it is right for railways, owned by the Indian Government, to encourage imported traffic by low rates, whichare not allowed on similar goods, locally produced in India And another point is, did the imported traffic require the lower rates? They apparently did

not, and the low rates were introduced mainly on account of competition, as admitted by the Railways at a meeting in 1905 when the representative of the premier railway in India admitted that the reductions were not called for by the trade."

21. To my mind, to be industrially and commercially great a country must at least be free, and not bound by interests other than her own, to do the best it can for itself, and to adopt means most suitable to it.

22. Following the present examples of Western nations, one would say we must be industrially great by modern methods. This is true but if money is not at once available and we cannot find funds to build mills, factories, workshops and large works on an extensive scale, we must certainly do what we can to protect ourselves in the meanwhile, and to find revival of our industries under protection and through Village industries.

23. Till we can raise funds in India to build industries on up to date methods on a large scale, we must adopt such means, crude though they may be, to raise the comfort and the individual wealth and the condition of the masses, and if protective tariffs are needed to achieve this end we should have them.

24. To have extensive cotton and other mills we must have money, and money must be found in India for them. But we are surely not going to sit down till then. We must be able to clothe our own people out of our productions and if we cannot have mills in the near future on an extensive scale we ought to have the village weaving industry revived; and this must in time bring money for power driven industries, for if the individual villager earns more money he will be able to subscribe towards building of large industries; and the development of Indian industries should be through indigenous capital. Foreign capital is not always advantageous.

25. One can do no better than to refer the following quotation from a paper written by Mr. Vithal Das Damodar Dass some years ago (1905) for the Indian Industrial conference.

"The village industry gives means of livelihood not only to an immense number of the weaver class but affords means of supplementing their income to agriculturists, the backbone of India, who usually employ themselves on hand looms, when field work is unnecessary and also when, owing to famine, drought or excessive rains, agricultural operations are not possible."

26. For the revival of village industries we shall require, for some time to come, protective tariffs against imports and this may, from the point of view of Lancashire be considered prejudicial to British interests. If so, are Indian interests to be sacrificed?

27. As to other imports, say, sugar from Java and other foreign sugar, if import duties are necessary and railway freight on a higher scale than for locally produced sugar needed—they must be enforced.

It has already been stated that Java sugar needed no subsidy from Railways in the way of low freight which it enjoyed for a long time. It may be argued that heavy import duties on sugar will increase the price to the consumers. For the time being it may be so, although it may also mean that Java will have to accept decidedly lower profits than it does now. Who knows that if the sugar industry of India decays under present conditions, owing to heavy imports of foreign sugar we may be some day in the same precarious position as to sugar as we are to-day in the matter of cotton cloth.

28. We have seen that the Government have imposed duties on imports for "Revenue purposes" and, therefore, to do the same for the real and ultimate good of the country in the way of protective tariff, cannot be wrong. In connection with duties to protect India, an export duty on food stuffs *e.g.*, wheat, some say, would not be very much in the interests of the producers. It is suggested that it is to their interest to export the finer stuffs *e.g.*, wheat, and to live on coarser grains such as Jowar, Bajra, Makai, etc. How far this is really to India's good one cannot say, but the fact remains that wheat is growing into importance as food of the people and its consumption is increasing, for it is considered very nourishing food; if so why should India be denuded of such good food. Storage for bad times is to be encouraged, but above all let India make the best out of its raw produce. Mr. C. D. Thompson says the evils of an export duty on grain might be avoided by having a sliding scale, *i.e.*, no duty when the prices are low and duty gradually rising with rise in prices.

Further, it is only the "Real surplus" that should be exported, and export duty on wheat and lesser duty on flour and similarly, lower railway rates for flour for export than for wheat for export will be of great help to India in retaining as much of its production and profiting by it as far as possible.

An export duty on oil seeds, which produces oil cake for cattle food and which, if milled at the producing centres, would greatly improve the condition of the inhabitants by providing employment for them, seems to be most essential and, similarly higher rates of freight for oil seeds for export and relatively cheaper rates for oil seeds consumed locally and for oil and oil cakes are needed.

By encouraging spinning of yarn out of our own cotton even in Charkas and weaving of cloth in this country, even in hand looms, we will find India again prospering and a mass of villagers will be employed and gradually become richer than they have been, and if this clashes with the interests of Lancashire should Government of India flinch from its duty to do its best to protect our textile industry both power and hand driven. Every ounce of cotton that may be required for such purpose in India ought to be protected and prevented from being exported, and import of foreign yarn and cloth discouraged. The avowed aim of our working should be to work up our raw materials and to save cost of double journeys across seas and the saving of payments to foreign manufacturers for goods that ought to be made in India.

29. Free trade is well and good for a country, which is rich in manufactures and has large surplus of its products for export, but it has been seen that in every country infant and even half-grown industries have generally grown and risen under protective tariffs, and India is in this position now, and for its welfare protection is essential and the railway rates policy should go hand in hand with the policy of protective tariff. Even the late Mr. Gokhale, who was a most liberal minded statesman, had to say something against expansion of railways on the following ground, in his Budget speech of 1902:—

"A policy which, whatever its advantages, had helped to destory more and more the few struggling non-agricultural industries that the country possessed and thrown a steadily increasing number on the single precarious resource of agriculture."

30. These remarks are very true and I can certify to their absolute correctness from my wide and long experience in matters connected with railway rates in India. It was my painful task while on Railways to carry out the policy of encouraging exports of raw materials and the carriage of imported manufactured articles. This was done under the name of "Encouraging long distance traffic and port competition."

31. I had not had very much to do with the purchase of machinery, but had a little experience lately, while I was in touch with a small Iron and Steel works in its incubation and construction period. They had at first an idea to start a machine shop on a somewhat large scale. Enquiries were made both in England and in America for machinery. At that time, I paid some attention to the study of the subject and went into details, and found that a good deal of the machinery that was then available in the local market was of foreign origin, and that the same could be had, at that time, cheaper and more readily from that country.

It was also revealed to me that a portion of steel castings and other steel goods imported, before the war, into India through England, was of foreign origin (say Belgian). This being the position, and as it was said at the time that "Imperial Preference" was considered (in certain quarters) good for the British Empire as a whole, it struck me then that although this might be so from that point of view of British interests, certainly it could not always be so purely from an Indian point of view, for India must try and avoid middlemen's profits and be able to get its machinery for its industries, which it does not manufacture itself from wherever it is most suitable and convenient for it to get in each case. Also see Appendix C in this connection.

32. The tariff policy adopted by the railways in the past would have to be entirely revolutionised if the Indian Railways are to be worked to render real service to the Indian nation. The policy of encouraging export of raw produce and import of manufactured articles from foreign countries under the name of encouraging long distance traffic and port competition will have to be stopped. Free milling of cotton, wheat and oilseeds into yarn and piece goods, flour and bran and oilseeds and oilcakes respectively at the producing and convenient centres will have to be

encouraged, and unless the Provincial Governments and the Indian public have a voice in the matter of the Railway Tariff policy ultimate good of the country can never be attained. Hitherto the railways have assisted exploitation by foreigners, for which the company management was partly responsible. The policy, adopted hitherto, has been the copy of the English Railway and the American Railway practice, which is wholly inapplicable, especially at the present moment, to India.

33. Our railways belong to the State, and are not the property of private individuals, which latter is the case in England and America and our railways are financed by or at the responsibility of India and, therefore her interests should be paramount. I will quote but one instance. In 1904-05, in order to discourage influx of country sugar from the Bengal and North-Western Railway into places like Agra, Delhi, Cawnpore, etc., and in order to secure long lead from the Port, and under the garb of Port competition the railway rates for sugar from the Ports, consequently for foreign sugar, were reduced, whereby the railways practically worked against the policy of the Government, which was doing its best at the time for the development of India's sugar industries in order to protect it from being destroyed owing to competition of foreign country sugar. During 1905, the rates for sugar from Bombay and Calcutta to Cawnpore were reduced, for a time to the level of grain rates.

34. Even the appointment of a "Tribunal" to adjudicate between the public and the railways in cases of complaints of preferential and unreasonable rates, cannot do much good. Protective and fostering railway rates for Indian industries are needed and must be enforced, and the policy of encouraging export of raw produce and imports of manufactured articles by lower rates on the ground of long distance traffic and port competition should be abolished.

35. I think I ought not to omit the case of "Hides and Skins." I quote the following extracts from pages 452, 453 and 454 of my "Monograph on Indian Railway Rates," a Government of India publication :—

> "In 1908, Mr. A. C. Chatterjee, I.C.S., made the following remarks in his notes on the industries of the United Provinces :—
>
> "The local industry in leather has, on the whole, suffered considerably by large demand in Europe and America for Indian hides and skins, and by the competition of foreign made goods."
>
> "The encouragement of exports in raw hides and skins helped to make the competition of foreign made leather goods in India formidable, and the Indian industry in leather was consequently hampered. India supplied raw materials to foreign countries which compete with Indian made goods and the railways, practically encouraged the export of raw material out of India by lowest possible rates. Mr. Chatterjee, I. C. S., went on further to say that another disquieting feature of the traffic was that there was a notable decrease in the export of dressed hides and skins.
>
> "The enormous rise in the exports of raw hides confirms the remark (which in the words of Mr. Chatterjee show), that the local industry had no longer any share even in the preliminary process of dressing the goods exported. The chief difficulty that the tanneries in Cawnpore had to contend with was the restricted supply of hides, due entirely to the abnormal rise in exports, which restricted the supply and raised the prices thus handicapping the local industries. It is to be emphatically pointed out that it was about the same time that the above remarks appeared in Mr. Chatterjee's notes on Indian Industries, which was published by the Government and made available for sale to the public that the Indian Railways came down to the lowest figures in their railway rates for hides for export."
>
> "The North Western Railway, the Great Indian Peninsula Railway and the East Indian Railway quoted rates to Karachi, Bombay and Calcutta, respectively at Rs. 0-3-0 per wagon per mile for loads of 360 maunds per wagon, which equals to one-tenth pie per maund per mile, *i.e.*, the minimum rate permitted by the Government.
>
> * * * * *
>
> The most important point is that the low rates for export hide traffic were brought about purely owing to competition between railways, but by an arrangement between themselves they could have levelled up the rates as they did in the case of some other traffic, unless it was their intention to let the export hides 'have the advantage of the lowest rates.' That at least the Great Indian Peninsula Railways Co. had this intention is clear from the remarks on pages 455 and 456 of my 'Monograph on Indian Railway rates.'

I beg to draw particular attention of the members of the Fiscal Committee to these remarks and to Appendices B and D.

36. I would like to quote the following from an article of mine that appeared in the *Indian Daily News* of 7th September 1921.

> "Whatever change may come in the policy of the Indian Railways in the future we have seen that the past policy has not been as it should have been. It was openly admitted in the reports of the Indian Industrial Commission (Holland Commission) and of the Stores Purchase Committee that the Indian Railways apparently because of their being run purely as commercial concerns, favoured export and import trade rather than encourage local trade and indigenous industries. This is an admitted fact. We have also seen that the Directors of the Indian Railways, such as the Chairman of the Bengal Nagpur Railway Company, and of the Great Indian Peninsula Railway Company, joined a meeting of the British India merchants in London, to protest against that portion of the report of the Indian Industrial Commission, where the policy of the railways in favouring foreign trade instead of local trade and industries was criticised."

37. All this shows how the railway companies were bent on favouring the foreign trade. It is also to be particularly noted that even though the President of the Stores Purchase Committee was a member of the Railway Board he could not help admitting that the railway policy had been what the Indian Industrial Commission had described it to be. The force of truth must have forced him to admit this.

38. The railway companies certainly carried on the policy of repression of the local trade and industries and encouragement of export and import trade (as practically admitted by the Holland Indian Industrial Commission of (1918-19 and by the Couchman Stores Purchase Committee still later) in spite of the fact that the late Mr. T. Robertson, C. V. O. special commissioner for India (1901-1902) had made the following observations :—

> "I do not think sufficient attention is paid to the creation and development of local industries. The more numerous the local industries are along a line of railway the greater always is the prosperity of that railway. They not only give their products to the Railway to carry, but their presence creates a great deal of traffic in passengers and goods, which but for the local manufactures would never come to the railway at all. Every encouragement should therefore be given to the opening of local industries by offering special facilities in the way of rates and accommodation."

39. But we see that in spite of these remarks the Indian trunk lines engaged themselves in serious lowering of rates for the raw products to the ports and for the manufactured articles from the ports to the interior, soon after the report of late Mr. Robertson was issued, whereby going deliberately against the creation and development of local industries. Lowest possible rates were quoted for grain, oil seeds, hides, to the exporting ports and for piece goods, sugar, etc, from the ports to the interior (*vide* remarks on pages 149 to 151 of my "Monograph on Indian Railway Rates.")

40. It is said that the Indian Railway Committee has recommended substantial enhancements in railway rates and have added that such enhancements have been overdue, but I emphatically say that the internal trade and industries of the country outside those centered at the ports, did not enjoy those benefits from low rates, which the foreign trade of India did. Enhancements should be made, but who is to see, on behalf of India that railways do not favour the foreign trade and that in enhancing the rates, they do not raise the local and internal rates higher than the rates to and from ports.

41. The railways are, I understand, at the present time engaged in enhancing their goods rates and that such rates will come into force, of course with the approval of the Railway Board, from 1st April 1922. On what basis these rates are being revised is unknown to the public, and the policy of the Railways requires to be very carefully investigated. The Fiscal Committee ought to demand a very clear and comprehensive statement (both in abstract and detail) showing what the railways are doing in matters such as the following :—

(1) Goods classification and maximum rates.
Where the enhancements are being made and will they affect local trade and industries and food stuffs.
(2) Class or ordinary rates – what are the enhancements.
(3) Special rates to and from the ports—on what principle are they being based.
(4) On what basis are the rates for raw produce to the ports and for movement internally in the country are being quoted. Are the rates distance for distance the same ?
(5) Are the rates for imported sugar to be higher or lower than for sugar locally produced ?
(6) Are the rates for raw cotton to be special and on a lower basis to the mills and factories in India than for export, if not on what basis are they to be ? (See Appendix D.)
(7) Are the mills at, say, Bombay, Calcutta, Agra, Delhi, Cawnpore Ahmedabad treated fairly and on an equal basis, or is there any special treatment to any particular place, say, Calcutta, Bombay, Cawnpore ? If so why ? What remedies have been suggested and are being taken to regulate the tariff in these respects ? Has any complaint been made and if so, what action is being taken ?
(8) Are not the rates for wheat for export to be lower than the rates for flour for export ?
(9) Are not the rates for wheat and oil seeds to the mills to be on a lower basis than the export rates for wheat and oil seeds.
(10) Are tapering or telescopic scales of rates to be granted in through booking between railways in connection with the carriage of internal traffic in India ?
(11) Is there any difference in the rates for yarn and piece goods from the ports to the interior as compared with the rates for yarn and piece goods produced locally in the mills in the interior of India ?

General replies to such questions can never be satisfactory. Detailed figures and concrete cases should be demanded of each railway for purposes of examination. For instance, what are the through rates for flour or for wheat from Northern India and the Punjab to Southern India ? Are they based on any tapering scales of rates and is the total and the through mileage rate on flour and wheat from say, Bhatinda or any station in the Punjab comparatively lower to Southern India than to the port of Karachi.

42. While in this connection, I would like to quote the following from my oral evidence before the Indian Railway Committee given on 10th January and on 11th January 1921 in Calcutta.

"Mr. Ghosh emphasized his opinion that the Railway Companies were really dictators of Railway policy. He did not think that a single Government Director in London was adequate to protect the interests of the Government in all the Companies. He considered that local Government should be more freely consulted, and have more effective voice in Railway matters.

"Asked to give an instance of the manner in which Railways had endeavoured to encourage traffic to and from ports rather than internal traffic, Mr. Ghosh mentioned that, when a new line is opened, special rates for staple produce of the district are generally quoted to the ports, and similarly for return traffic from the ports. It is true that, if attention is drawn to inequalities arising as regards internal traffic, they are sometimes adjusted, but complaints in this respect are not properly dealt with in all cases. Many instances of this would be found in the chapter on wheat, in his book on Railway Rates. Mr. Ghosh promised to furnish the Committee with instances in which inequality of treatment had not been adjusted. He drew attention to the opinion of the Indian Industrial Commission that the policy of favouring traffic to and from the ports had the effect of concentrating industries at the ports since they get the advantage of low rates. Mr. Ghosh explained to the Chairman that, for example, the special rate for grain to Calcutta is the same for local and for export traffic, though he was aware that this is contrary to the usual practice in other countries. In Mr. Ghosh's opinion preferential rates might be removed from the Goods Tariff altogether without causing loss to the State. He left with Mr. Hiley a book containing certain further information relating to his argument.

* Note—Instances were given at the evidence given on the 11th of January when drawing the attention of the Committee to the remarks of the Indian Industrial Commission regarding low rates to the Ports.

* * * * *

"In connection with the imposition of block rates Mr. Ghosh referred to a number of cases mentioned on pages 210 to 214 of his Monograph. With regard to the question of quoting favourable rates to and from the ports, he said that it was his experience that when new lines were opened such rates were generally quoted for important articles of commerce such as Grain, Seeds and Cotton to the ports and such as Sugar, Piece-goods, etc., from them. It was only later on that special rates for traffic to intermediate stations and rates in the interests of local industries were quoted. He did not think that the latter cases were given the same degree of consideration as the port rates which were generally much lower. Mr. Purshotamdas thereupon asked, whether in the experience of Mr. Ghosh those interested in any industry had represented without securing redress the inequalities in the rates charged on its own upcountry traffic. Mr. Ghosh referred to the case of Hides Industry of Cawnpore. He said that, in his notes on the Industries of the United Provinces written in 1908, Mr. A. C. Chatterjee, now a Member of the Board of Industries, brought out the fact that the local industries of the United Provinces had suffered considerably through the export of Hides and Skins and that there had been a notable decrease in the export of dressed skins. The enormous rise in the export of raw hides was confirmed by Mr. Chatterjee's observation, "that local industry has no longer any share even in the preliminary process of dressing the goods exported."

* * * * *

43. No one to-day realises more readily than I do the soundness of the following concluding remarks of the mover of the resolution on the management of Indian Railways made in the Imperial Legislative Council in March 1915, whatever might have been my opinion at that time.

"Sir, I have only one more word to say in conclusion, and that is with reference to the point that the railways are worked on a commercial basis. No one disputes the fact that the railways should be worked on a commercial basis. What we object to is that they should be worked *purely* on a commercial basis, irrespective of every other consideration. All we ask is that in working on a commercial basis, care should be had to the economic and industrial interest of this country. In the consideration of all these questions, I want that Government should bear prominently in mind not only the question of making revenue out of a monopoly which they hold, but that in getting such revenue they shall bestow careful consideration to the question of encouraging industries in India and promoting the economic interests of the people of India, even at the sacrifice of some portion of such revenue."

44. It is to be hoped that the action of the fiscal committee and of the Government will prevent the natural resources of this country from being treated as so much raw material dedicated to the express use of the foreign nations and India itself from continuing to be a mere receptacle for the goods into which that very material or similar material from other countries is manufactured.

45. A glance at the appendices is also earnestly requested.

46. Last of all, my suggestion is that the Fiscal Committee, the Government and the Legislative Assembly, in giving consideration to the recommendations of the Railway Committee regarding the Rates Tribunals give due weight to the following facts :—

(*a*) That the Rates Tribunal will consist of a lawyer Chairman, a railway man and a man from the Commercial Community. The industries will not be represented in the Tribunal.
(*b*) That the lawyer Chairman will see that the technicalities of law are adhered to and that the evidence is properly taken and given and that law as it exists is properly administered.
(*c*) That the lawyer Chairman will probably be a man from England, and as there have been no cases

of the kind yet decided in India that will come before the Tribunal, the Tribunal will be guided by precedents of decisions given in English cases.

(*d*) That the English railway conditions are wholly inapplicable to India in that firstly the English Railways are private corporations working for dividends, whereas the Indian Railways are the properties of the public and that the first duty is to render public service by endeavouring to assist industries and the economic development of India.

(*e*) That the Railway member will be an European, *viz.*, Agent or General Traffic Manager, one of those who have been brought up in the belief that the first duty of the railways is to encourage long distance traffic, long leads to ports, lower rates for export of raw productions and lower rates also for imported articles to the interiors in order to give loads to wagons returning from the ports, after discharging raw produce at the port.

(*f*) That the Commercial member, if he is a member of one of the European Chambers, largely interested in the trade in and out of the country, will apparently, under the policy of supporting the principle of free trade and the policy hitherto accepted by England towards India in the matter of taking its raw produce and sending it manufactured to India, will be in agreement with the Railway member.

Therefore, it is a most important point for consideration that at least in the interest of the industrial development of India the Department of Industries of the Government of India should have a very strong voice in the matter of policy of Railway rates ; it is equally important that the Rates Tribunal should have a member or members who should represent the interests of Indians. If this means an increase in the number of members it ought to be done. The Railway Act of 1890 will have to be revised and clauses put in it for the protection of India's internal trade and indigenous industries and their growth under fostering and protective Railway rates against drain of India's raw produce and competition of foreign manufactured goods under preferential rates for the foreign trade.

47. The following extract from a paper on "modern mercantilism in India," by Professor Charles D. Thompson, JR., M. A. of Ewing Christian College, Allahabad, read at the first conference of the Indian Economic Association, Bombay, is very appropriate and is worth reading : –

> "The example of England has made students think that an excess of imports is a source of wealth, and an excess of exports a loss, which is of course the exact opposite of the Mercantilist position, but might be true for a gold mining country. Those men are rare indeed who see, like the Honourable Pandit Madan Mohan Malavya, that the development of industries will only increase trade, and that the increase of trade will be profitable to both nations, that the harmony of interests does not depend upon balances one way or the other."
>
> "Exaltation of *foreign trade over home trade* is also based on a false analogy from the case of England, and is entirely wrong when applied to India."

APPENDIX A.

12341. Extracts from only a few of the Gazetteer published by the Government showing the effect of the policy of encouraging manufactured articles, on the Indian population :—

(*U. P.*) *Shahjahanpur District Gazetteer* (*1910*).

> "The returns of the last census showed that 27,500 persons, including dependents were employed in the cotton industry, although the number in the former days was considerably larger, since then trade has suffered much from the competition of European factory made fabrics."

(*U. P.*) *Ghazipur District Gazetteer* (*1909*).

> "The textile industries still afford employment to a large number of persons, but the fabrics here made are merely the coarser kinds of cloth, woven generally from native thread and English Yarn combined. The competition of foreign and factory made cloth has been keenly felt, and as early as in 1881 the local trade was said to be in a declining state."

(*U. P.*) *Moradabad District Gazetteer* (*1919*).

> "In spite of the decline in the business due to European and factory made cloth Moradabad is a still very important centre of the hand weaving industry .... much of the cotton is grown, ginned and spun locally *but the use of imported yarn is steadily increasing.*"

(*U. P.*) *Rai Bareli District Gazetteer* (*1905*).

> "Another decayed industry is that of the cotton manufactures of *Jais*, which at one time gained a great reputation. The speciality of this place *was* Muslin, and particularly the very fine hand-woven, figured and damasked fabric, known as *Jamdani*, similar to that of Tanda in Fyzabad."

(*U. P.*) *Badaun District Gazetteer* (*1907*).

> "Badaun was at one time noted for its silk industry but at the present time the trade is almost extinct."

(*Bengal*) *Hooghly District Gazetteer* (*1912*).

> "The main cause of the collapse in the cotton industry was the competition of Manchester goods."

The same woeful tale of decay or ruin of the textile industry is found in almost every District Gazetteer of India. At one time the people were thriving and rich by spinning and weaving but to-day they are thrown on the only precarious industry of agriculture.

APPENDIX B.

12342. Extracts from the evidence of some of the witnesses before the Indian Industrial Commission (Holland Commission).

Delhi—

Rai Bahadur Sultan Singh said

In reply to Hon'ble Pandit Madan Mohan Malaviya :—

> "We had an agency of the Delhi Biscuit Company in Bombay and that agency has to be closed because owing to the railway freight our biscuits could not compete with imported biscuits there."

* * * * *

> In reply to Sir F. H. Stewart, Rai Bahadur Sultan Sing said "Regarding the carriage of wheat from the Punjab, the rate for carriage of wheat from Jullundur to Karachi has been raised by 6 pies, whereas the rate for flour from Delhi to Karachi has been raised nearly by 2 annas. There are more facilities for sending wheat to ports for export than for bringing wheat from the wheat districts to the milling centres."

Cawnpore—

Hon'ble Mr. Hailey, Director of Land Records and Agriculture U. P. in his written evidence remarked as follows :—

The system of granting of differential rates to large centres is undoubtedly much disliked by the local traders and does interfere with the developments of trade at small centres."....

....."This system of discouraging local traffic has a somewhat undesirable effect on agriculture, since it means that at a very busy season of the year the cultivators' cattle are taken away from his fields to transport produce to the nearest station enjoying favourable rates which may often be at a considerable distance. It has also a discouraging effect on the establishment of local markets which are desirable for equalising prices."

* * * * *

"It would seem desirable that the Railway Board should have greater powers in fixing rates and enforcing uniform practice. I think there is a strong feeling... . ...that a complaint to the Railway Board should not merely be met by a reference to the company but that the Board should have powers to compel the railways to remove anomalies and remedy any obvious defects."

Cawnpore—

From the written evidence of Mr. Carnegie, Leather Manufacturer, Cawnpore.

* * * * *

If the exportation of tanned in place of raw hides is to be encouraged, railway freight from Up Country to sea-ports

will have to be revised. At present, the freight on tanned is very much more than on raw hides and thus tanning of hides for export is heavily handicapped from the start.

Cawnpore—

From the written evidence of Mr. Vikramjit Singh, Director and Representative of the United Provinces Chamber of Commerce, Cawnpore.

Speaking on railway freight he first quoted amongst other remarks the following from the speech of Mr. Silver delivered at the U. P. Industrial Conference at Cawnpore in April 1912.

"Have you ever realised that our railway tariffs are framed almost solely with the view of aiding the export of raw produce. If one studies the complicated mass of printed matters designated 'Railway Goods Tariff,' it will be found that practically all the special rates are port rates, that is, rates for carrying the produce from our rich valleys and plains in the interior to the sea-board, there to be exported and worked up by the industries of other lands."

Mr. Vikramjit Singh, after drawing attention to the above remarks of Mr. Silver, continued as follows:—

"The following instances occur to me: on raw cotton the railway freight from Cawnpore to Bombay is Re. 0-15-11 per maund or ·22 pie per maund per mile. On the yarn made from that cotton, as well as piecegoods the sum charged for the same journey is Re. 1-13-1 per maund or ·41 pie per maund per mile. The difference between these rates is as nearly as possible ·2 pie yer maund, a very big item when dealing with a commodity like cotton yarn. Taking grain as an example, we find that it is carried from Delhi to Howrah, a distance of 903 miles at Re. 0-7-6 per maund or ·09 pie per maund per mile supposing we have a flour mill at Chunar, situated just half-way between Delhi and Howrah, to be exact 465 miles from Delhi, if it were carried to that point on the same basis of rates the charge would be Re. 0-3-6 per maund, but the rate actually charged is Re. 0-6-3 per maund or very nearly double. Put in another form the railway gets Re. 0-6-3 per maund for carrying 456 miles to Chunar, but they will carry another 447 miles for Re. 0-1-3 per maund. But you need not consider the possibility of establishing a flour mill at Chunar or any other place similarly situated, for while the grain from Delhi is taken past your door to Howrah for an inclusive charge Re. 0-7-6 per maund you have first of all to pay Re. 0-6-3 per maund for bringing the grain to your mill and further Re. 0-6-0 per maund to carry the flour to Howrah. It will be understood that I am merely illustrating the vicious principle which underlies the framing of our railway rates, and although Chunar may not possibly be a happy selection for my illustration it brings out the point I wish to establish, and owners of flour mills can give the railway varied examples of hardships they suffer in this direction if promised sympathetic considerations."

"A third example is the differentiation made between raw hides and tanned leather. The railway will carry raw hides from Delhi and Cawnpore to Howrah at annas 7-6 or 5-3 per maund respectively equal to ·09 per maund per mile. But to *bring hides from Delhi* to Cawnpore, a distance of 271 miles only, one has to pay annas 5-8 per maund or ·25 pie per maund per mile. Think of the absurdity of it: annas 5-3 to carry the hides to 633 miles between Cawnpore and Howrah, but annas 5-8 per maund to carry the same hides to 271 miles between Delhi and Cawnpore. So as to make it impossible that the leather should be tanned in this country and offer employment to our workpeople. The rate charged for leather common or rough in bales from Cawnpore to Howrah is Re. 1 per maund. It costs, therefore, 5¼ annas per maund to take raw hides from here to Howrah but Re. 1 per maund to take the tanned over the same distance. These are but mere samples of the anomalies I have picked out from the tariff in the course of the last few hours. I have no doubt many more glaring examples would be brought to light if enquiry were made."

In the evidence of Mr. C. M. De Souza of the Premier Oil Mills Company, Cawnpore, it is observed that he said as follows:—

* * * * *

"The complaints mainly are the want of uniformity in railway freights for internal distribution of raw materials as well as finished products and the preferential tariff to and from the ports"

Agra.

The then proprietor of John's mills at Agra, replying to Hon'ble Sir F. H. Stewart, remarked as follows:—

"The railways have been rather hard on us. They have not helped us."

* * * * * * * * *

.....A merchant is sending many wagons of yarn to Howrah at the present moment. He says "please book to Cawnpore and from there I will book to Howrah. *It is only about Re. 1-4-8 per maund, whilst from Agra direct to Howrah* the East Indian Railway want Rs. 2-0-0."

APPENDIX C.

12343. One of the factors, amongst others, in connection with "Imperial preference" is that the purchase of machineries and plant, for our industries in other countries than the United Kingdom, may at times be welcome, not only for economy's sake, but from the point of view that some of the foreign countries are found willing to train Indians in their works and factories. I know personally that some of the American (U. S. A.) manufacturers are most anxious to train Indians, but from the following extract from a message received through "Reuter's service," a few years ago, and published in Indian newspapers, one would think that Indians could not easily get similar facilities in the workshops of the United Kingdom:

"Sir Theodore Morrison, in an address before the London Chamber of Commerce yesterday, said India was on the eve of an industrial revolution, the first of which would be to open the great possibilities of business to British financial and manufacturing houses. Once the industrial revolution was started there was no reason to doubt that Indians would raise the capital required in London, but he asked, would they invest the proceeds of these loans in orders for English manufacturers? He was convinced that the Indian would place his orders in the country where he had his training."

"They were not taking care, said Sir Theodore, that the future captains of Indian industry should receive that training here. On the contrary, they were closing their workshops to them and compelling them against their will to get apprenticeships abroad. This was most unwise. He hoped the chamber, whatever it thought about Indian students, would recognise the danger of driving them abroad."

"Sir Edwin Burls said the difficulty concerning the admission of Indian students to factories lay not with the master but with the workmen, who refused to work with Indians and who forced them out. Steps ought to be taken to meet this Trade Union spirit and secure to Indian students proper facilities."

"Sir J. D. Rees said there was not a Trade Union in the world which could compare with the caste to which the Indian students belonged. *It was impossible to compete with them in their industries on even terms. British workmen realised that the real factor in the situation was the ultimate clash of the East and the West.*"

APPENDIX D.

12344. Extract from the "Cotton" chapter, (pages 387, 388 and 389) of "A Monograph on Indian Railway Rates" by S. C. Ghosh (1918).

"A glance at the above statement will shew that North Western Railway rates for cotton are favourable for export trade *viâ* Karachi whereas the rates for local cotton mills such as at Delhi are comparatively higher. The rates for cotton from Multan to Karachi, 575 miles, is Re. 1-0-9 per maund, whereas the rate from the same place to Delhi is Re. 1-3-2, the distance being 454 miles. Similarly, while the rate from Peshawar to Karachi, 929 miles is Re. 1-10-7, the rate for Delhi, 582 miles, is Re. 1-8-6 or if a comparison is made, distance for distance it would appear that for an extra lead of 347 miles the North Western Railway charge is Re. 0-2-1 or less than even $\frac{1}{11}$th pie per maund per mile in the case of Karachi."

Special attention is also invited to the opening remarks in Chapter V on "External and Internal trade" on pages 228 and 229 of the same publication.

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Witness No. 83.

A. PHILLIPSON, Esq., I.C.S., Deputy Commissioner, Jorhat, Assam.

Written statement dated the 24th December 1921.

12345. *Q.* I am generally in favour of Free Trade, with a reservation in favour of protection of a few industries in their initial stages, with a proviso that protection will be withdrawn after a specified number of years.

12346. *Q.* A tariff provides a more suitable form of taxation than direct taxation. In India the main direct taxes are Land Revenue, Income-tax, Stamp Duties, Registration, etc.

In many parts of India, notably in Bengal, the permanent settlement of the land admits of no expansion in Land Revenue; and in other places, such as Assam, with a view to giving effect to a similar principle, there is a provision only for a very gradual increase in the assessment. This source of revenue is not very elastic nor is it likely to be equal to the growing demands for Government expenditures.

Income-tax is the next direct tax in order of importance. My experience in the collection of this tax, is that it is constantly evaded by those whose income is unknown and that the accounts submitted for purposes of assessment are generally vague and unreliable. A high rate of Income-tax would lead to greater evasion so that the main burden would fall even more than now upon the minority of persons with fixed incomes. Direct taxes are generally unpopular and India is no exception. Customs duties therefore appear to be the most suitable form of taxation for India. The tax is paid in small instalments as purchases are made, and with the minimum of irritation.

12347. *Q.* 3. Commodities now admitted free, should continue to be free. The imports of machinery, iron and steel, railway plant should not be discouraged—for the initial capital cost of new enterprises should be kept as low as possible. Cars, jewellery, silk goods pay a 20 per cent. duty and there are high duties on tobacco and liquors. It is doubtful if higher duties would be very productive—but there is no objection to a further increase if demanded by revenue considerations. Nor is there likely to be any objection from the fiscal point of view.

India imported about 408,000 tons of sugar in 1919-20 as against 803,000 tons in 1913-14. She produces 2½ million tons. From a rough calculation the duty realised for 1919-20 is about £2,500,000. I see no particular harm in raising the duty on sugar for revenue purposes but the duty should not be so high as to exclude imports. For India does not need protection for the sugar industry.

The salt duty produced £4½ million in 1919-20. This might be increased, though it is frequently objected that such a tax would fall on the poorest people. A rough calculation shows that its incidence is about 3½ annas a year. Any form of indirect tax is likely to be diffused after a time and would be borne by the mass of the population and perhaps not so uniformly as a salt tax. Such a tax further has the advantages of producing a considerable revenue and of simplicity of collection. It would be borne without undue hardship considering the amount per head of population, by classes who perhaps do not contribute to the revenue of the country in any other form. I would suggest a reduction in the duty on manufactured woollen goods so as to cheapen them for poor cultivators who cannot now afford to keep warm during the cold nights of the winter months. Cotton goods though mentioned last are the most important of India's imports. No change in the present duty is suggested, unless it becomes indispensable for revenue purposes when other sources of revenue have failed.

Free Trade versus *Protection.*

12348. *Q.* 4. The present tariff policy is designed for the purposes of revenue and in the interest of free trade. I consider that this policy should generally continue. Protection is a relative term and is frequently misleading. There are those who constantly advocate it for India and identify the very small number of producers with the interests of India. The dominant factor in India is that 75 per cent. of the population of over three hundred million is agricultural, and it is in the interests of this large population to get cheap commodities.

Effect of Protection on Prices and on the Consumer.

12349. Ordinarily the whole part of the duty imposed on an imported commodity is passed on to the consumer in the form of higher prices according to the elasticity of the demand. For example, the consumer probably pays most of the duty on cotton goods because the demand is little affected by the higher price. But in the case of American cars, for example, the American producers bear a considerable part of the duty, as an undue rise in price would lead to a contraction in demand, or to the partial substitution of other cars, in public favour. The rise in prices to the consumer is likely to be permanent, except in the case of industries which are protected only in the initial stages.

The average cultivator mainly consumes rice, vegetables, oil, fish, salt—all local produce except salt. He also buys cotton cloth, and if he can afford it, blankets, a warm coat or a woollen jersy. He may often be seen on a cold night in the cold weather vainly endeavouring to keep warm with a semi-transparent cotton cloth around him. I have no doubt what policy he would favour if he were articulate. It is said on behalf of protection that it would bring about a rise in wages and the questions present themselves (*i*) what classes would share this rise? (*ii*) to what extent, (*iii*) and how long would they wait for it?

In England or in America, where manufactures play a predominant part in the industries of the country, the rise in wages would affect a large percentage of the population and eventually be diffused more or less amongst the remainder. But in India the main population is agricultural. A small industrial minority would benefit in the first instance; and supposing that this gain were diffused over larger areas—the effect would be slight—for the same reason that a bucket of water would hardly raise the level of a tank. People in India follow their occupations from custom. Labour is not fluid. Coolies are to be seen working on Assam tea gardens at Rs. 7 to Rs. 11 a month side by side with others in mines and workshops on Rs. 25 to Rs. 40 a month. From which it may be argued that industrial wages do not readily affect agricultural wages. The diversion of labour to industry will diminish the supply of agricultural produce and so tend to raise its price. On the other hand, foreign demand will fall off by reason of the reduced imports which protection implies. And the net result is a tendency to maintain the former low level of prices of agricultural produce. So while the industrial worker may receive some compensation for higher prices, by enhanced wages, it is very doubtful if the agricultural worker ever will receive a noticeable increase in his earnings.

The middle classes so far as they receive fixed incomes would undoubtedly suffer, for experience shows that such incomes or salaries do not keep pace with a rise in prices. Lawyers and doctors might receive higher fees in town where the population is industrial; but they will not fare so well in the interior where the population is agricultural.

The element of time is important in considering whether the diversion of capital and labour into new channels—the aim of protection—will secure greater wealth for India. That the rise in prices will immediately follow protection is not denied. But many years will elapse before the required capital is accumulated,

enterprise found, and knowledge and skill acquired and brought to bear on production; before the machinery is purchased and the factories built; before labour, swayed by custom and immobile, is transferred from agriculture to industry. It may be that the generation of agriculturists who see protection brought in may not live to be sensible of its fruits, if any.

12350. *Q.* 5. The question is asked, what effect the existing tariff policy has had on Indian industries in the past and what effects it is likely to have in the future. Indian industrial development has been slow, but I do not attribute this to the tariff policy. At the present time industries in India are handicapped by inadequate means of transport, by shortage of coal, by scarcity of capital and labour, and by want of enterprise; not least of all perhaps by forces of unrest and uncertainty which have manifested themselves in India in various forms, no less than in other parts of the world. When these conditions improve and the present world-wide trade depression comes to an end, I anticipate some expansion in Indian industries without any change of tariff policy. For India can in fact produce as cheaply as most other countries. The want of capital, for example, is a serious obstacle and it is not denied that protection might accelerate its accumulation for industrial purposes. But this would be achieved by the stimulus of abnormally high profits at the expense of the mass of cultivators. And in my opinion it would be more equitable (though also inexpedient) for the State to raise capital either by borrowing by uniform taxation than by the unequal and disguised form, euphemistically called "protection."

Economic independence.

12351. *Q.* 10. Scarcely any country is altogether independent of foreign trade and I do not think that India is likely to be an exception. There will always be certain things such as improved machinery which she can profitably import.

To satisfy the needs of three hundred and thirty millions would require an expansion of manufactures on a considerable scale and this is only likely to occur at the expense of agriculture,—and this in a country that is naturally well adapted to it. In Bengal and Assam as well as in other parts of India the soil is naturally fertile; it needs little ploughing and its fertility is maintained by an annual deposit of silt from the flooding by large rivers. In England there are far greater facilities for manufacture than for agriculture, with the result that England exports manufactures and imports agricultural produce. In India these facilities are reversed and the reverse process is the natural one and is likely to continue. Not a large proportion of cultivators, who can live by scratching the surface of the soil, will elect to toil in factories.

Infant Industries.

12352. *Q.* 14. There is less objection to protection of industries in the infant stages of development, provided it is clear that this would be for a specified period only. But I cannot give specific information of any industries which seem to me to be handicapped only at the start. It is probable, however, that when protection comes to be withdrawn, agitation will be set up to retain it; that the start will be made at the expense of consumers; that inefficient management and high cost of production may be the outcome of such a policy, just as in the war period excess profits duty often led to extravagant cost of production.

Bounties, etc.

12353. *Q.* 15. Foreign goods may be especially favoured by such measures as dumping, bounties, subsidies or transport concessions. If such a policy is framed in foreign countries with the object of destroying an industry in India, or if its effect is to destroy an industry for which India is well adapted, a countervailing duty on foreign goods may reasonably be imposed. Railway rates sometimes favour the export of certain raw materials such as oil seeds; and it is argued that India might very well establish oil mills and extract its own oil. Oil mills have already been successfully established in many places in India; and if preferential Railway rates in certain places discourage local manufacture, I would advocate a policy to counter-balance conditions which have been artificially imposed.

Excise Duties.

12354. *Q.* 6, 7 and 8. When a duty is imposed on an article imported from abroad for revenue purposes, it seems to me desirable to impose an excise duty on the same article manufactured in India. For the producer is already sufficiently protected against foreign manufacturers who have to send their goods across the seas. Further, such a duty would fall on the producer and not on the consumer, the price of the article being determined by foreign competition. Failing such a duty the producer would merely reap an additional profit corresponding to the import duty and this profit would be accidental and in no way a reward for services rendered.

Specific Industries considered.

Sugar.—The North of India is adapted to the growth of sugar cane, and India produces 2½ million tons annually. Last year she imported about 400,000 tons. A protective duty on sugar (apart from revenue purposes) would merely raise the price to the consumer and secure higher profits to the producer without affording any necessary protection to the industry. At present the most modern machinery is not often employed; sometimes it is primitive. Further if higher duties were imposed it is probable that land more suitable for the growth of other crops would be placed under sugar cultivation, while old machinery would continue to be used, both from inertia and the desire to avoid outlay.

Tea boxes.—Tea boxes were in the pre-war period mainly imported. They can in fact be manufactured in Assam Saw Mills as cheaply as in foreign countries. This is perhaps as example of an industry established under the influence of temporary "protection" on account of absence of foreign supplies in the war period. But equally important in my opinion was the accumulation of capital following a period of high profits and high prices.

Steel; Cement.—India can produce steel in free competition with other countries and there is no justification for protection. The same remarks apply to cement—and this view is supported by the Chief Engineer, Public Works Department, Assam.

Cotton goods.—Indian Mills can successfully compete with Lancashire mills. A diminution of imports during the war gave Indian mills phenomenal profits—between 100 per cent. and 200 per cent. dividends—at the expense of the consumer.

Demands for protection in the above cases are in my view really demands for capital and labour for enterprise and skill; for abnormally high profits to compensate for these deficiencies. India already enjoys a great measure of natural "protection." The price of coal is much less than in Europe and costs much less to produce. British firms have in fact transferred their jute mills from Dundee to Calcutta. There was a recent instance in the case of tea machinery.

Safeguarding of Industries Act. England and India.

It may be argued on behalf of protection for India, that England has lately adopted such a measure by the passing of the "Safeguarding of Industries Act" in order to prevent dumping. Owing to the disorganisation of the Exchanges in Europe it is very profitable for certain European countries to send goods to England and to undersell rival producers there at a time when the race for industrial supremacy is beginning afresh. It is vital that such abornal competition should not be permitted to stifle British industries in the transition period following war. For unlike India, Great Britain lives by her industries, rather than by her agriculture; and with her manufactures she purchases her food supplies.

Hand Industries and the Cotton Loom.

12355. *Q.* 16. Hand industries and the hand-loom cotton industry afford a subsidiary occupation for families whose time is only partly taken up by agriculture; they also add variety to occupation. They should in my view receive some encouragement consistently with the general policy of free trade; by instruction in schools and otherwise and by exemption from the ex-

cise duty now imposed on manufactured cotton. If home-spun cloth is not now made on a considerable scale, it is because the cultivator spends his time more profitably otherwise, or prefers leisure and idleness to an amount of labour out of all proportion to the price of the product.

Combinations and Monopolies.

12356. *Q.* 17. The experience of protectionist countries, America for example, is that protection leads to combination among manufacturers and to trusts. The manufacture of cotton goods in India is mainly in the hands of one class, a circumstance that would facilitate combination.

12357. *Q.* 18. British and foreign farms would be likely to establish themselves in India in order to get the benefit of protection. Jute mills have in fact been transferred from Dundee to Calcutta; and the manufacture of tea machinery in India is a recent example of a similar transfer. Such activities are to India's economic advantage as they provide capital and enterprise where it is needed, and tend to encourage developments by example.

Protection and Foreign Trade.

12358. *Q.* 25. Protection by reducing imports—for that is its object—would inevitably reduce exports, for we cannot contemplate a permanent flow of precious metals in one direction to restore the balance of trade.

An organisation to investigate the claims of industries.

12359. *Q.* 29. Any organisation for investigating the claims of various industries to protection, from time to time, and for the periodical re-adjustment of tariff rates, is likely to lead to unsettlement and to claims for the maintenance of vested interests. I anticipate that any attempt to reduce a tariff once imposed would give rise to constant agitation on the part of Indian manufactures and the resulting uncertainty would weaken the stimulus due to protection. Nevertheless, if protection be established, especially for temporary purposes, some tribunal or court of arbitration might help to resolve such difficulties.

Export Duties.

12360. *Q.* 30. The proper function of export duties is, in my view, the raising of revenue or for the purpose of retaining in India essential foodstuffs and other commodities when the supply is abnormally low. In such circumstances the producer, *i.e.*, the cultivator does not suffer. If, however, such duties are imposed for the purpose of encouraging local manufacture, they are bound to create an artificial cheapness and so deprive the cultivator of his legitimate profits, to the advantage of the manufacturer. For example, while jute mills were, in recent years, paying phenomenal dividends, the jute cultivator was receiving so little for the raw product that he passed through a period of acute distress. I investigated this in Sylhet at the time; and it was explained that the jute cultivator could not, for various reasons, give up jute cultivation and take to paddy for example. This occurred at the time when there were restrictions on the export of raw jute. Export duties might also have another effect, *viz.*, to reduce the supply. As already stated, temporary restrictions in war time found the jute cultivator unprepared for any change, for cultivating paddy instead of jute—

(*i*) because a temporary change creates difficulties connected with weeding,

(*ii*) because a general village agreement is necessary, as if only a few cultivators take to paddy cultivation, the village cattle with a taste for paddy concentrate and cause disproportionate damage to a few plots.

These details are given as showing that while a temporary export duty might not reduce supplies, a permanent embargo might defeat its own object.

An export duty on tea has in the past mainly fallen on the producer and did not affect the trade while profits were good. If continued, however, for many years, while the margin of profit is falling, the effect would be to stimulate Java production and to that extent drive Indian teas from the market. It takes six to eight years to bring a tea estate into full bearing, so that an export duty for a shorter term would not be likely to effect supplies.

In my view an export duty should not be imposed on foodstuffs except when the supplies are abnormally low. Otherwise they are unjust to the cultivator. Though a temporary duty would hardly affect supplies, if continued over a long period, there would be a decided tendency to produce only for immediate requirements and a danger of grave shortage in bad years.

An export duty known as a "cess" in the interests of the industry hardly falls within the category now considered.

12361. *Q.* 35. The policy of Free Trade which I have advocated excludes the policy of Imperial Preference. Within the limits imposed by free trade and duties for revenue purposes, the scope for Imperial Preference will be small. This aspect of the question is so unimportant comparatively, that I doubt the advantage of introducing factors which only complicate the problem.

Should any such policy as Imperial Preference be finally adopted, foreign countries are not likely to retaliate as they are mainly anxious to have India's exports.

12362. *Q.* 40. If preference were given by raising the import duties on goods coming from foreign countries, the existing rates being maintained for British goods, it is probable that there would be a rise in price to the consumer in certain cases, as, for example, in the case of machinery and railway plant which are now imported from America more cheaply than from England. A substantial duty would probably discourage imports from America and raise the English price at any rate for some years to come. But the supply from England might be stimulated to such a degree as to restore the former price level after a period of years.

12363. *Q.* 42. The partial or complete diversion of trade from foreign countries, whether this be the result of Imperial Preference or of any other restrictions, is likely to affect India's general trade position substantially at first during the period of transition, and to a lesser degree when a new equilibrium has been established. In my opinion restrictions on free trade are bound to affect the trade position and the effect produced on account of Imperial Preference will only be a question of degree.

Mr. A. PHILLIPSON, I.C.S., Deputy Commissioner, Jorhat (Assam).

Oral evidence dated Calcutta the 18th January 1922.

12364. *President.*—*Q.* You are Deputy Commissioner, Jorhat?

A. Yes.

12365. *Q.* I understand that your views are accepted by your Government.

A. With slight qualifications.

12366. *Q.* Will you please state what these are?

A. I have a note here. There is a question I think in the list of questions which asks whether, with the establishment of protection, firms of foreign countries are likely to be established in India. I stated that it was a good thing as it would import capital and enterprise and would be useful by way of setting examples to others. The Governor in Council wishes to emphasise that it would also increase the amount of Indian employment. My suggestion that foreign capital would be attracted to the country practically implies the same thing.

12367. *Q.* Anything else?

A. The Governor in Council also wishes to emphasise that the Assam Government will press for the abolition of the export duty on tea. In my own

statement which expresses my own personal views I distinguish between short periods and long periods and though I said that an export duty was not likely to have any effect upon the tea industry for a short time, it would very likely have an effect if continued for a number of years because the supplies were not likely to be affected in less than 5 or 6 years. That also is a slight qualification. Further, the Governor in Council wishes to emphasise the necessity for Imperial Preference. In my statement I stated that the effect on India would be comparatively slight and it was hardly worthwhile to complicate the problem by introducing factors which are of comparatively small importance, but Sir William Marris anticipates that possibly the tariff in the near future may be more protective than now and he attaches more importance to Imperial Preference as he says it would be worthwhile for India to make some small sacrifice for being a member of the Empire. These are the qualifications.

12368. *Q.* Would you be able to give evidence specially on these two points, the variation of the export duty on tea and Imperial Preference as representing the Government of Assam because we may have to ask certain questions? Would you adopt these views and give answers because our rule is that any statements of policy which are submitted to us should be subject to enquiry by the Commission?

A. I merely have the statement of the Governor in Council on this point and they are not really in conflict with my own views, except that I held in my own statement that Imperial Preference from my own point of view was not likely to be very important.

12369. *Q.* In view of the modifications that you have just indicated, would you be prepared to answer questions in favour of the policy of Imperial Preference as advocated by your Government?

A. I am not in a position to say more than what I have stated on the subject.

12370. *Q.* There is only one more question. I should like to ask you whether the views which you have been detailing are the views of the Governor in Council as opposed to Government as a whole. At present Government consists of the Governor in Council, and Ministers.

A. These views were submitted to the Minister in charge of Finance, I know.

12371. *Q.* We have had the Hon'ble Mr. Barua who is the Minister for Industries in Assam, and he has given views which as far as I remember are entirely different from the views which you have put before us. So, these views can only be the views of the Governor in Council excluding the Ministers because one of the Ministers has already been before us and expressed quite different views.

A. I can only say that these views are accepted by the Governor and the Minister of Finance, and I understood they were the views of the Government of Assam.

12372. *Q.* Will you please explain a little more fully your general answer? You say "I am generally in favour of free trade with a reservation in favour of protection of a few industries in their initial stages, with a proviso that protection will be withdrawn after a specified number of years." Will you please state whether you are in favour of free trade for India or is it a general proposition for all countries?

A. I am in favour of free trade for all countries.

12373. *Q.* If they declined to adopt it?

A. I should still say I am in favour of free trade for India.

12374. *Q.* Will you please tell me whether there are any special conditions in connection with India which makes the adoption of that policy advantageous to this country?

A. Well, the factor which appeals to me most is the large number of consumers mainly engaged in agriculture and it is in the interests of consumers to have cheap commodities which are more likely to be obtained under a policy of free trade than of protection.

12375. *Q.* Would not that proposition be general in regard to most of the civilised countries, where the manufacturers must form a small proportion to the total population and the consumers must be larger.

A. I imagine that in the case of a country like England the manufacturers play a far more important part.

12376. *Q.* We are not dealing with England. We are dealing with all other countries which have adopted protection.

A. Well, I confess I am not sufficiently familiar with the facts to express any definite opinion. I am simply considering the question from the point of view of India.

12377. *Q.* Don't you think that the disparity in the numerical strength of producers and consumers is everywhere bound to be considerable. Producers can only be few comparatively and consumers must be in very large numbers in every country.

A. In India you have three quarters of the population—I am not quite sure of the exact figure—employed in agriculture and what strikes me most is that the industrial wages do not seem to have any very great effect on the wages of those employed in agriculture.

12378. *Q.* What is your view as regards the economic condition of India?

A. I do not quite follow the question—in what respect, in respect of the people's wealth or poverty?

12379. *Q.* In respect of their economic condition in regard to their needs for necessaries of life. Briefly speaking, how would India's national wealth compare with the national wealth of other civilised countries?

A. I should imagine it is low.

12380. *Q.* Why do you think that it is low?

A. The factors are very complicated.

12381. *Q.* Do you think it is to a certain extent due to the population being employed practically wholly on agriculture and also to the fact that there is no diversity of occupation in industries?

A. I should not say that that is the sole cause.

12382. *Q.* Do you think that it would be one of the important causes?

A. I dare say that the wealth of the population would increase in industries could be developed *naturally.*

12383. *Q.* The result of the development of industries would be to increase the national wealth of India. Do you not think that it might be worthwhile paying for it for a short time?

A. I should say that the manner in which that wealth is subsequently distributed would be a very important factor. In my opinion the extremes of wealth and poverty might be accentuated. I refer for the moment to the fact that the profits of industries, the higher wages in workshops and factories do not seem to affect the agricultural labourer very much. I have seen that particularly in Assam. I have seen coolies in tea gardens getting between 7 and 11 rupees a month and alongside there were workshops, saw mills, oil fields, and coal mines in which they were earning beween 25 and 40 or even 50 rupees.

12384. *Q.* What is the proportion of the population which work in these industries on the higher wages as against the population which have to be content with getting Rs. 11?

A. A very small proportion.

12385. *Q.* That would not show material results in regard to the economic wealth of the province unless the employment on higher wages was to a much larger extent.

A That is so.

12386. *Q.* Therefore to draw conclusions from these small numbers would not be correct?

A. I don't quite follow that.

12387. *Q.* To draw the conclusion that the province is not economically prospering substantially because a few people had been employed on higher wages of Rs. 30 and Rs. 40 would not be correct.

A. My only conclusion from that fact is that the wages of industries do not seem to have had any effect on agriculture. The labour is not mobile in other words. Well, there is a considerable demand for labour for factories, workshops, etc., and it is not very easy to get, so I am told. I have often discussed this question with people in charge of workshops.

12388. *Q.* Can you give any reasons for that state of things?

A. I should say it is partly due to inertia. These men find it much easier to stick to agriculture.

12389. *Q.* Even when the income is very small?

A. I am sure there are numerous labourers who are quite content with what they get. The moment they get increased wages, they work a little less.

In the tea gardens of Assam, as the wages go up the amount of work they do becomes less.

12390. *Q.* Does this apply on a wide scale or is it that you are giving instances of lethargy and idleness in individual cases?

A. I have seen it very frequently. It is part of my duty to make official inspections, I frequently see attendance and wages registers. It has often been explained to me that as the wages begin to increase the coolies absent themselves for various reasons. Sometimes they have a certain amount of paddy land to occupy them and sometimes they do nothing at all.

12391. *Q.* How do you reconcile this fact with what appears in your answer to Question No. 4. You say there: "The average cultivator mainly consumes rice, vegetables, oil, fish, salt—all local produce except salt. He also buys cotton cloth, and, if he can afford it, blankets, a warm coat or a woollen jersey. He may often be seen on a cold night in the cold weather vainly endeavouring to keep warm with a semi-transparent cotton cloth around him." That shows that the agriculturist is in a very poor condition under the present circumstances, and that while in the cold weather some clothing which will keep him warm is a matter of great necessity to him, still he does not get it under present conditions.

A. I do not say it is universal, but I say I have often seen such cases.

12392. *Q.* There can be no object in it, unless you are depicting the general condition of the agricultural classes. At the same time you say that when remunerative employment is offered to him which would enable him to get all these things he does not care for it. How do you reconcile these two statements?

A. I cannot reconcile them. I am merely stating what I believe to be facts—that cultivators are badly off, and yet often decline to get higher wages.

12393. *Q.* Then you go on to say "I have no doubt what policy he would favour if he were articulate." That is to say, that he would favour a policy of free trade?

A. Yes.

12394. *Q.* And this is his condition under the present policy of free trade,—the condition which you have so graphically described.

A. I do not say that it is the result of free trade.

12395. *Q.* This is the condition under which he finds himself under the free trade policy which has been adopted in India?

A. In quite a number of cases.

12396. *Q.* So, if by protection remunerative employment was found for him and if necessity compelled him to work on higher wages, he would be better off?

A. Well, suppose protection were introduced and more employment was available, the number engaged in the new industries, whatever they might be, would be very small compared to the total number engaged in agriculture. It is the proportion which is the most important point.

12397. *Q.* The result of taking away 5 per cent. of the population to industries would reduce that much burden on agriculture and would leave the other 95 per cent. a little better off, to however small an extent?

A. Well, I think the effect would be very small.

12398. *Q.* Even though it is small it would benefit the balance of the population. With the larger and larger development of industries under a protective tariff, a larger and larger number would be withdrawn to industries, leaving on the land a reduced number who could make agriculture a more successful operation than it is at present?

A. While I quite admit that those engaged in industry would get higher wages on account of protection, it is very doubtful whether it would be sufficient to compensate them for the higher prices. But even admitting, for the sake of argument, that the compensation would in their case be sufficient I am much more doubtful whether those engaged in agriculture would share that prosperity.

12399. *Q.* I was putting to you this question: that a certain area of land now provides bare subsistence for 100 people. We will assume that the income from that area remains the same. Supposing 20 out of these 100 take to industries, then this income would be distributable among 80 instead of 100.

A. Yes on that assumption.

12400. *Q.* And therefore the eighty would be better off than the hundred, assuming that the land was the same and the produce was the same?

A. On those assumptions they would be better off. But in so far as the amount of agricultural produce has been diminished that would tend to raise its price. But that is not the only factor. With protection India's imports would be found to fall, because that is the very meaning of protection: otherwise it is useless. And that involves a diminution of exports, which it is generally admitted consist mainly of raw materials and agricultural produce. A fall in demand for these would be followed by a fall in the supply, and the tendency would be to restore the old price level.

12401. *Q.* That is to say, the cost of living would be reduced?

A. I do not say that the price of agricultural produce would be reduced. While protection is very likely to stimulate a certain number of industries in the country, that would divert labour as well as capital to industry and would particularly divert labour from agriculture to industry. To that extent the price of agricultural produce would tend to rise and so benefit those engaged in agriculture. But the point which I am trying to emphasise is that another factor is also called into play, and that is: by reason of the diminution of exports and the diminution of foreign demand for that very same agricultural produce its price would tend to fall, and the net result would be, it seems to me, very much to leave agriculture where it was before.

12402. *Q.* The number of people which is withdrawn would reduce the burden on agriculture to that extent?

A. There would be more land available.

12403. *Q.* And, therefore, *pro rata* the outturn per head would be more?

A. That would be a very important consideration, if land in India were cultivated intensively.

12404. *Q.* Assume that it is cultivated as it is at present. A certain area of land provides maintenance for a hundred people. If you take away 20 persons to more remunerative employment and leave only 80 persons to subsist on the same amount of produce on the same area of land, these eighty would be better off than the hundred at present?

A. Supposing they cultivated all the land, I am willing to admit that, but I cannot get away from the other factors involved.

12405. *Q.* The other factor being that imports would be reduced and therefore the price of imported articles would rise. Will you tell me what are the imported articles which the agriculturists now consume?

A. I was referring not so much to the diminution of imports, but to the diminution in the exports of agricultural produce.

12406. *Q.* Why should exports diminish, unless there is a larger demand for industrial purposes in the country?

A. Well, I think the exports are bound to fall if the imports fall.

12407. *Q.* Why?

A. How will the balance be restored?

12408. *Q.* The balance would be restored by the bringing into India of securities and precious metals.

A. I have already said in my statement that we could hardly contemplate a permanent flow of precious metals *in one direction to restore* the balance of trade.

12409. *Q.* What about securities? England has got a surplus balance in the securities of almost all the civilised countries in the world. She imports securities and she does not import precious metals. Why should not India do the same? (No answer).

12410. *Q.* Then you go on to say "The element of time is important in considering whether the diversion of capital and labour into new channels—the aim of protection—will secure greater wealth for India. That the rise in prices will immediately follow protection is not denied. But many years will elapse before the required capital is accumulated, enterprise found, and knowledge and skill acquired and brought to bear on production; before the machinery is purchased and the factories built; before labour swayed by custom and immobile, is transferred from agriculture to industry." You say this will take a very long time.

A. I should imagine so.

12411. *Q.* Then, you would not make a beginning, because it would take a very long time?

A. No. I would not say that. It is a question of time. I do not say I am in favour of free trade entirely. I have made a reservation in the very

first sentence of my note: "I am generally in favour of free trade, with a reservation in favour of protection of a few industries in their initial stages, with a proviso that protection will be withdrawn after a specified number of years."

12412. *Q.* How would you determine the specified number of years?

A. I would say each industry must be considered on its own merits.

12413. *Q.* And a time limit fixed, and if the industry is not successful within that period, you would withdraw the protection?

A. I would give them a reasonable time, and if they do not succeed within that time, withdraw the protection. Otherwise the protection would become permanent. Vested interests always manage to represent their case, and there is always a danger that if the time is not specified the time may become indefinite.

12414. *Q.* We have one instance to prove the contrary. We have been told that Great Britain adopted a policy of protection for a considerable period of time, and when she found that her industries became self-supporting she gradually withdrew all protection from the industries and became a free trader. So that, it has been possible in one case!

A. I do not deny the possibility. It seems to me that each case should be investigated separately. I say that the cases which might be classed as infant industries and might stand on their own legs in India should be carefully considered on their own merits.

12415. *Q.* And adequate protection granted?

A. For a definite period.

12416. *Q.* And supposing that after that definite period the industry was not able to stand on its own legs?

A. Then, I would be in favour of restoring free trade, because otherwise the consumer would suffer.

12417. *Q.* You yourself admit that the consumer has got countervailing advantages. You say that protection will secure greater wealth, accumulation of capital, enterprise, skill and various other things. Are they not compensating advantages for the country?

A. I am very doubtful whether protection would secure greater wealth for India. I have not made a positive statement. I say "The element of time is important in considering whether the diversion of capital and labour into new channels—the aim of protection—will secure greater wealth for India." I only say time is an important factor to be considered.

12418. *Q.* In giving protection how would you restrict at that stage the exact number of years during which the industry should get protection, and after which it will be left to stand on its own legs?

A. After careful investigation.

12419. *Q.* Is it possible to do that?

A. Allowing a fairly big margin, an expert committee dealing with an industry should be able to determine whether that industry would be able to stand on its own legs within 5 or 10 years.

12420. *Q.* You have dealt with specific industries, *i.e.*, tea boxes, steel, cement, and cotton goods. Will you please tell me whether you have any special or practical experience in regard to these industries?

A. Merely by conversation and visiting certain factories.

12421. *Q.* You have never been engaged in industries?

A. No.

12422. *Q.* Take the instance of sugar. You say that there is no case for protection for the sugar industry. We have had many witnesses who have all repeatedly urged for protection for the sugar industry. Will you please tell me why you feel that there is no case for protection for the sugar industry?

A. Because I find that India in fact produces 2¼ million tons annually and last year she imported 400,000 tons. If she could produce the 2¼ million tons, why cannot she produce an additional 400,000 tons?

12423. *Q.* What the other side says is: "If you give us a litle protection we shall make India self-contained."

A. I maintain that India is already sufficiently well placed to produce her sugar and we should not have a policy of protection to stimulate this additional production.

12424. *Q.* As you know there is now an import duty of 15 per cent. on sugar. It is a revenue duty, but it does give some protection. Would you withdraw it?

A. I should be inclined to leave it alone for revenue purposes.

12425. *Q.* But the effect is the same. It does give some protection to the industry. Would you, in view of what you have said, withdraw that duty and put sugar purely on free trade principles?

A. I cannot say exactly.

12426. *Q.* Then in regard to steel you say: "India can produce steel in free competition with other countries and there is no justification for protection." Will you please tell us what are your grounds for saying so?

A. As I said before I have no personal experience of the steel industry.

12427. *Q.* On what grounds do you make these positive statements then?

A. India is in a position to produce steel and iron,—as reported by the Chief Engineer of Assam—and the failure to produce more steel in India is due to want of capital rather than to want of protection.

12428. *Q.* You have no direct knowledge in the matter?

A. No.

12429. *Q.* In regard to handloom industries you say: "They should in my view receive some sort of encouragement consistently with the general policy of free trade," and you indicate the form in which this encouragement should be given. "By instruction in schools" that is to say primary education?

A. Yes, that is actually being done now.

12430. *Q.* "And otherwise and by exemption from the excise duty now imposed on manufactured cotton."

A. I understand that there is an excise duty on cotton cloth manufactured in Indian mills.

12431. *Q.* Will it tell against the success of the handloom industry?

A. I think there is no need to have an excise duty on cloth manufactured in handlooms in the villages. I do not suppose that there was one at the present time, and I certainly say that they should continue to receive the same differential treatment.

12432. *Q.* I thought you would abolish the excise duty on mill-made cotton cloths.

A. Perhaps I have not expressed myself clearly. The cotton manufactured in the villages in handlooms is not now subject to the excise duty and they should continue to receive that exemption.

12433. *Sir Maneckjee Dadabhoy.*—*Q.* You have told the President that you do not represent the views of the Assam Government, but that you represent only the Governor and the Finance Member.

A. Yes so far as I know.

12434. *Q.* And you are a District Officer?

A. Yes.

12435. *Q.* May I know why you were selected to give evidence before this Commission?

A. I was interested in the subject and I was asked whether I was willing to give evidence.

12436. *Q.* Were you ever Secretary in the Industries Department?

A. No.

12437. *Q.* Have you ever had any direct interest in Assam industries?

A. Not directly.

12438. *Q.* You have only had a great deal of academic interest?

A. I have spent many years in Assam and discussed the subject with employers of labour and paid many official visits to factories and workshops.

12439. *Q.* Did you submit these views to the Local Government before forwarding the same to the Secretary of the Fiscal Commission?

A. I sent my views to the Government and they were forwarded by Government to the Fiscal Commission.

12440. *Q.* Mainly you are in favour of customs duties in preference to direct taxation?

A. Yes.

12441. *Q.* And I understand that you do not object to customs duties being raised to a standard which might have a protective effect.

A. I do not object to that.

12442. *Q.* You say: "I see no particular harm in raising the duty on sugar for revenue purposes but the duty should not be so high as to exclude imports." You do not exclude imports so that India's requirements may be fully met?

A. And also to allow a certain amount of competition because I suppose at the present time the imports determine the price.

12443. *Q.* Is there no internal competition? It is not grown in one part of India only, but in various parts!

A. Yes: I suppose there is internal competition.

12444. *Q.* There is the transport difficulty, and freight charges would localise sugar to a certain extent. It would involve additional cost to take sugar from one part of India to another. Would this not take away some amount of the competition?

A. I think there would be some competition all the same.

12445. *Q.* Then, in your opinion, the present salt duty is very small?

A. I think so. It works out to about 3½ annas a head per year. I might have made a mistake, but that is my calculation.

12446. *Q.* You are in favour of increasing that duty?

A. I think it is the simplest form of raising additional revenue. A tax in any other form is likely to fall on the cultivator ultimately.

12447. *Q.* The consumer has to pay these taxes?

A. Yes: I think so.

12448. *Q.* From the point of view of the consumer how would you differentiate the case of revenue duties from that of protection?

A. In the case of the customs duty you raise the price by a certain definite known amount, whereas protection is a much more sweeping measure and we should hardly have any control over the increased cost.

12449. *Q.* Do you mean to say that in the case of protection prices could not possibly be controlled by State regulations or executive instructions of any kind?

A. In the case of customs duties the greater part of the duty goes to the State for the purpose of revenue which we are supposing is indispensable. In the other case it goes to the producer by way of encouraging certain industries.

12450. *Q.* In your paragraph 4 you state "There are those who constantly advocate protection for India and identify the very small number of producers with the interests of India. The dominant factor in India is that 75 per cent. of the population of over 300 million is agricultural and it is in the interests of this large population to get cheap commodities." Do you argue from that that the introduction of industries is incompatible with what you lay down?

A. I do not say that it is incompatible. I simply say that the consumer would suffer to a greater extent than he would benefit.

12451. *Q.* Then on the whole your position is this that you are only a qualified free trader and you would protect those industries which would require protection in the initial stages for a certain time.

A. Yes.

12452. *Q.* You also object to the present system of tariff which differentiates between a tax on luxuries and a tax on necessities.

A. I see no objection to the present system of tariff.

12453. *Q.* You do object to the 20 per cent. duty on cars and jewellery?

A. I do not think I have objected at all.

12454. *Q.* You say that want of capital is a serious obstacle and it is not denied that protection might accelerate its accumulation for industrial purposes. Then you admit this proposition that protection will accelerate the accumulation of wealth. Then does it not follow that the accumulation of wealth would be good for the development of industries?

A. I have stated here that protection will certainly accelerate the accumulation of capital. But I think, that as I have emphasised in my statement, that that in effect is a form of taxation to which the State might resort in the absence of more equitable forms of taxation. It is taxing the consumer for the sake of accumulating capital but the State might impose a more uniform tax to raise this capital.

12455. *Q.* In a sense direct taxation affects the consumer?

A. It affects the consumers and producers.

12456. *Q.* What about the salt duty?

A. It affects the whole population. But protection is a form of taxation which taxes the consumers for the sake of the producers.

12457. *Q.* I understand from your answer to Questions Nos. 6, 7 and 8 that you are not in favour of maintaining the excise duty except for revenue purposes?

A. Yes.

12458. *Q.* Has any other country put on a similar duty to what has been put on in the case of cloth in India, I mean the countervailing excise duty?

A. I cannot say.

12459. *Q.* You say that such a duty would fall on the producer and not on the consumer. You mean to say that no part of the duty is carried on to the consumer?

A. There may be cases in which the tax is transferred to the consumer, the case of monopolies perhaps when there is no foreign competition to check the rise in price.

12460. *Q.* The producer pays it in all other cases?

A. I think the producer pays the excise duty on cloth.

12461. *Q.* Speaking about the steel industry, do you really think that India can produce steel in free competition with European countries. Take Belgium for instance.

A. That is a subject on which I have no direct experience. But I understand that India might do so if sufficient capital was forthcoming.

12462. *Q.* Speaking about the Indian cotton mills you refer to the enormous dividends. Are you also aware of the bad cycles they have gone through?

A. Yes. They have had bad times.

12463. *Q.* You seem to have gathered all the good things and to have somehow lost sight of the bad things. The 200 per cent. dividends which you mention in the case of cotton goods were really due to various other circumstances; were they not?

A. I have mentioned it merely as an instance of how a diminution of imports during the war gave the Indian cotton mills phenomenal profits.

12464. *Q.* Would you like to qualify your statement that the textile industry needs no further protection?

A. What I wished to convey by that statement was that want of competition which protection implies gave the Indian mills exceptional profits.

12465. *Q.* Is there no competition against the Indian mills?

A. I say in the war period.

12466. *Q.* But before the war period there was a tremendous amount of competition?

A. I was only speaking of the war period.

12467. *Q.* In the next paragraph you say, that, India already enjoys a great measure of natural protection. The price of coal is much less than in Europe and costs much less to produce." Do you argue from that that the country is geographically in a position to manufacture certain articles and that it should not receive protection in other matters in regard to which it suffers?

A. My argument is that India already has many natural facilities for manfactures if there is available the capital, labour, and the necessary knowledge and enterprise. It seems to me that what is wanted really for India now is capital and enterprise.

12468. *Q.* Would capital be forthcoming when profits are not assured. If the people who want to sink their capital in new enterprises fear that the Government policy will be such that they will not make any money, and that they will not be able to employ their capital remuneratively, they would obviously feel nervous about putting their money in new enterprises. Surely you cannot expect capitalists to venture into business undertakings without some sort of assurance from Government that there is going to be protection against foreign competition.

A. I admit that capital will be attracted by protection, but I do not see that protection is necessary. My point is that I think that protection will do more harm than good by taxing the consumer for the sake of the capitalists.

12469. *Q.* Do you think it has done more harm than good in America, Germany, France and other places?

A. I cannot say that. It is a complicated problem. There are so many factors involved.

12470. *Q.* You are against export duties except in order to retain food grains?

A. I think the cultivator should be allowed to get a fair price for his produce.

12471. *Q.* If you have surplus stock you will send them out without putting on any export duty?

A. I think so. I have made a reservation in favour of an export duty when the supply is less than the normal.

12472. *Mr. Mant.*—*Q.* Is tea machinery a new industry?

A. I understand that a British firm has transferred its works to India and is now manufactruing tea machinery or just about to.

12473. *Q.* Is it an elaborate machinery which is used in the tea manufacture?

A. I think it might be made in India. It is not particularly elaborate.

12474. *Q.* It has not been made hitherto?

A. Not so far as I know.

12475. *Q.* There is only one firm just starting?

A. I think it is Marshalls.

12476. *Q.* You cannot say whether the industry is likely to be developed in India or not?

A. No.

12477. *Mr. Rhodes.*—*Q.* You point out that labour in India is not very fluid. It does not readily move from one district to another. Coolies are to be seen working on the Assam tea gardens at Rs. 7 to Rs. 11 a month side by side with others in mines and workshops on Rs. 25 to Rs. 40 a month. Does that Rs. 7 which they get represent the real wage or only the money wage?

A. I gave Rs. 7 as the minimum. They get between Rs. 7 and Rs. 11.

12478. *Q.* I have been told that these men get their houses, they get considerable amounts of loans, they get financial assistance, they get at times cheap supplies of grain when prices rise. I know that cloth was supplied to them cheaply when prices were dear. So would you not regard all these things as real wages?

A. Undoubtedly.

12479. *Q.* Don't you think that the tea garden cooly is really not staying for the Rs. 7 but more largely for these other advantages?

A. I think so. I have given Rs. 7 as the absolute minimum.

12480. *Q.* You say that these people are contented and it seems perhaps a little unfair on the Assam tea industry to suggest that they are contented on Rs. 7. Really they are contented on their real wages, which are considerably higher.

A. The figure of Rs. 7 may represent a minimum. If you include all the advantages or perquisites which they receive as part of their wages, then I should say that the average is a good deal more than Rs. 7.

12481. *Q.* Therefore you would not say that any garden Indian or European managed, is paying real wages as low as Rs. 7. It is giving other advantages with that Rs. 7, is it not?

A. On an average the real wages are higher than Rs. 7.

12482. *Q.* Then they are spending a lot of their spare time in cultivation?

A. Yes. They cultivate too. But this question is a sort of *obiter dictum*.

12483. *Mr. Coyajee.*—*Q.* You say that the incidence of the salt duty is about 3½ annas per head.

A. That is my rough calculation.

12484. *Q.* How far would you like to see it raised?

A. I think it may be doubled.

12485. *Q.* You say that the poor people in Assam get only Rs. 7 a month. In these hard days they have to spend much for their clothing and other things. Don't you think it will affect them?

A. 7 annas a year as compared with Rs. 84 a year may not be excessive.

12486. *Q.* You say that in Assam with higher wages the labourers get lazy.

A. I think that is so.

12487. *Q.* Is it only in Assam or in England too?

A. I think it happens in England too. But I do not think it occurs in England to the same extent.

12488. *Q.* In other parts of India?

A. I have no personal experience of other parts. But I understand that it does occur in other parts of India, particularly in coal mines.

12489. *Q.* Do you know whether India possesses cotton for the weaving of the finer counts?

A. I am afraid I have no technical knowledge of that subject.

12490. *Q.* You say that the Indian mills can successfully compete with the Lancashire mills, but you know that India does not produce cotton cloth of the finer counts and for that she has to depend on English cloth.

A. I understand that it is so.

12491. *Q.* So India cannot compete with Lancashire in the finer counts.

A. Possibly not. I do not claim a knowledge of details in this particular matter.

12492. *Q.* With regard to coal you say that India already enjoys a great measure of natural protection. But do you know that she is at present importing a large quantity of coal?

A. I understand that it is so just now.

12493. *Q.* Do you know that Welsh coal is cheaper than Indian coal?

A. Yes.

12494. *Q.* Do you know that the freight from England to India is cheaper than the freight from Calcutta to other parts of India for coal?

A. I think I saw that referred to a short time ago.

12495. *Q.* So that India is not in a very good position in regard to competition with England?

A. I think she has the natural advantages. What she lacks is the labour and the capital.

12496. *Q.* Not the transport facilities?

A. That also. The point that I was making is that it does not justify protection. But it may justify improved communications.

12497. *Q.* Till these improvements are made will not our industries require some sort of protection?

A. I would not object to protection for a definite specified period.

12498. *Q.* That depends on circumstances?

A. I would not make it indefinite.

Witness No. 84.

The BENGAL MAHAJAN SABHA, 4, Raja Brojendra Narain Ray Street, Calcutta.

Written statement, dated the 13th January 1922.

12499. *Q.* We are in favour of a policy of protection. In this matter India ought to follow in the footsteps of the United Kingdom. Early in the nineteenth century Great Britain was the staunchest advocate of what German economists call the Theory of the Power of production. India can do nothing better than imitate England in reviving her power of production. It is only after her manufacturing power has been re-established by protection that India can and should think of free trade. It is an undeniable fact that at the close of the eighteenth century the textile manufacturing industry of India had excited the envy and admiration of Europe. Under the heels of foreign domination India held her own as a highly developed manufacturing country. Not even England could compete with her in the open field. The process of extinction of Indian manufactures commenced early in the nineteenth Century Even in 1813 Calcutta alone exported to London 2 millions sterling worth of cotton goods. But in 1820 Calcutta imported 2 millions sterling of British Cotton manufactures. The first import of British Cotton twist into India was in 1823, in 1824 it was 121,000 lbs; in 1828 it rose to 4,000,000 lbs. The export of Indian Piece goods to America declined from 13,633 bales in 1801 to 258 bales in 1829. Denmark which took 1,457 bales in 1800 never took more than 150 bales after 1820 and Portugal which took 9,714 bales in 1799 never took over a thousand after 1825. It was after 1820 that the manufacture and export of cotton piece goods from India declined steadily, never to rise again. In proportion as India lost her manufacturing industry she began to import British and other foreign

piece goods, paying for it in food grains. A German economist had observed in his book on Political Economy written in 1844:—"England prohibited the import of the goods dealt in by her own factories, the Indian cotton and silk fabrics. The probibition was complete and peremptory. Not so much as a thread of them would England permit to be used. She would have none of these beautiful and cheap fabrics but preferred to consume her own inferior and more costly stuffs. She was, however, quite willing to supply the continental nations with the far finer fabrics of India at lower prices and willingly yielded to them all the benefit of that cheapness; she herself would have none of it." It was only after England had securely established her own manufacturing power that towards the latter end of the eighteenth century, the British Nation became the votaries of free trade. Until then England had adhered to the doctrine of protection. "But in India the Manufacturing Power was stamped out by protection against her industries and then free trade was forced on her, so as to prevent a revival." It is interesting to note in this connection how England imposed protective duties on the following scale on Indian manufactures.

	1812.	1824.	1832.
	Per cent. on value.	Per cent. on value.	Per cent. on value.
Muslin	27½	37½	10
Calicoes	71½	67½	10
Other cotton manufactures.	27½	50	20
Goats wool shawls ...	71	67½	30
Raw silk ...	... £2 13*s.* 4*d.* on value *plus* 4*s.* per lb.	4*s.* per lb.	1*d.* per lb.
Silk manufactures	...Prohibited.	Prohibited.	20 per cent. on value.
Plain of figured silk ...	„	„	30 per cent. on value.
Manufactures of silk ...	„	„	20 per cent. on value.

India possesses to this day, in spite of the extinction of her manufactures, the advantage of cheaper labour, abundant raw materials, skill and experience of centuries. We are therefore of opinion that India sadly needs protection as against all her competitors for the revival of her main branches of industries such as Cotton, Woollen linen and paper manufactories, sugar, salt and other necessaries of life.

12500. *Q.* The protective duties in the beginning should be moderate. They must only rise gradually with the increased development. Neither is it necessary that all branches of industry should be protected in the same degree. India with her vast area, population and resources will immeasurably benefit by protection and will easily reassert herself in the field of manufacture. An agricultural nation is like an individual with one arm who makes use of a foreign arm. An agricultural manufacturing country on the other hand is an individual who has two arms of his own always at his disposal. In regard to protective duties it is specially important to discriminate between the case of a nation which contemplates passing from a policy of free competition to one of protection, and that of a nation which proposes to exchange a policy of prohibition for one of moderate protection. In the former case the duties imposed at first must not be unduly high and be gradually increased. In the latter they must be high at first and be gradually diminished. We do not think that protection will raise the price to the consumer. Dr. Bowring in his Report on the German Zollverein to Lord Viscount Palmerston has adduced testimony that the manufactured goods produced under high customs tariff are both better and cheaper than the foreign ones. It is not true that a protective duty increases the price of the goods of home production by the amount of the protective duty. For a short time the duty may increase the price, but the internal competition will soon reduce the prices lower than they had stood at when the importation was either free or only liable to a nominal import duty levied for purposes of revenue. The imports of natural products must everywhere be subject to revenue duties only and never to duties intended to protect native agricultural production. Revenue duties on manufactured goods may only be imposed by a country with limited territory and smaller population and while it is far behind in civilisation and skill. Measures of protection are necessary for fostering and protecting the internal manufacturing power and are justifiable only in the case of nations which through an extensive and compact territory large population, possession of natural resources and thrifty labour are qualified to maintain themselves in competition with any other manufacturing country. We believe that India has immense natural advantages which she can easily utilise for rebuilding the edifices which have crumbled into decay less by the ravages of time but more by operation of forces to which reference has been made. In this connection we beg to observe that it is a well-known maxim of political economy that the home market of a nation is without comparison more important than its foreign market. India, as every one knows and finds, has a vast home market open to herself for her manufactured products.

Protective Tariff.

12501. *Q.* We beg to submit that the tariff should be framed primarily for fostering such Indian industries which are likely after a period to be able to face foreign competition without assistance. It is on this principle that protection should be extended. It is very difficult to discriminate between the claims of different articles of manufacture. But we do venture to say that the past history of manufactures in India ought to furnish a sufficiently fair and reliable criterion in this respect. We are of opinion that the manufacture of cotton and silk fabrics, paper, sugar, salt and other necessaries for which there is abundance of raw materials in India should be the special and immediate recipients of protection to start with. The claims of other industries for inclusion into the charmed circle may be gradually recognised if a sufficient case is made out. The Legislative Assembly should be the sole judge as to what new industries are entitled to protection. In fact every thing will depend upon the framing of the tariff, and the principle on which it will rest. This principle, as we understand it, should be this; a nation which has been formerly insufficiently protected by customs duties but which feels itself called upon to make greater progress in manufactures, must first of all endeavour to develop those manufactures which produce articles of general consumption.

Cotton Handloom Industry.

12502. *Q.* In dealing with Questions Nos. 16, 17, 18 and 19 we are clearly of opinion that the economic salvation of India depends, in a large measure, upon the cotton handloom industry. According to the Census of 1901 there were about a quarter of a million persons engaged in handloom weaving in the country. Of the 58 crore lbs. of yarn produced by the Mills in India, about 19 crore lbs. used to be woven by handloom weavers in or about 1905. Next to agriculture in which over 70 per cent. of the population of India are engaged the cotton industry is the largest in the country. It may be useful and interesting to know the extent of imports of foreign piece-goods into India within the last few years. The principal varieties of grey (unbleached) white (bleached) and coloured, printed or dyed piecegoods are given in the following table (in million yards):—

	1913-14. Pre-war.	1919-20.	1920-21.
Grey	1534·2	533·3	580·2
White	793·3	322·0	421·8
Coloured, printed or dyed	831·8	208·3	489·3

The following table shows the percentage shares in the total quantities of piece-goods lately imported into India:—

	1913-14.	1919-20.	1920-21.
United Kingdom ...	97·1	90·3	85·6
Japan	·3	7·0	11·3
United States ...	·3	·9	·9
Holland	·8	·7	·9
Other countries ...	1·5	1·1	1·3

We refer to the above figures (and they are Government of India figures to show to what extent India is dependent upon foreign manufactures. Spinning and weaving mills have no doubt come into existence in India, and their phenomenal prosperity during the progress of the War has been a great incentive to fresh and further enterprise. There was a time when there was no power-loom in India and yet she was able by handlooms to produce enough yarn and fabrics not only for her requirements but she did actually turn out a large exportable surplus. It is on record that the hand-wrought

manufactures of Bengal and Behar were beautiful in fabric and durable in wear. The handloom industry has withstood the onslaughts of time. It is destined not to perish in spite of the competition of power-looms whether within or outside India. A small country having a small population but with a vaulting ambition to capture foreign markets for its manufactured products has no option but to take to power-looms. But India with her vast area and vaster natural resources and population needs to-day, as she did in the past, hand-looms more than power-looms. A self-contained India was a contented and prosperous India. Mr. Havell is satisfied that the greater portion of the imported cotton cloth can be made in the Indian hand-looms with great profit to the whole community. Hon'ble Mr. Vithaldas Damodardass had expressed himself as follows some years ago :—"The question of the immediate revival of the hand-loom weaving industry on a commercial basis demands the most earnest attention of every well-wisher of India and evidence gives promise of a successful issue to efforts put forward in this direction." A power-loom with 2,000 labourers probably produces what one lakh men can do in the same time by the use of hand-looms. The profits of the power-looms are shared in by a handful of investors only. It may therefore be said that the wealth which circulated among and was shared in by one hundred thousand men operating with hand-looms is in the case of a power-loom wholly absorbed by a small group of capitalists. The inevitable consequence has been the universal poverty of the countless millions of India. There is another remarkable feature about the hand-loom industry which can not be ignored. Whereas labour is self-imposed and voluntary in the case of hand-looms it is enforced and purely mercenary in the case of power-looms. We must frankly confess that protection is likely to induce British and foreign industrial firms to establish themselves in India and will certainly lead to combination amongst the protected manufacturers in order to maintain a quasi-monopoly price. These are evils and it is easier to find means to counteract them. The imposition of heavier excise duties, state control of prices and higher railway rates for mill manufactures, may in our view be effective as safeguards. From the Bombay and Ahmedabad quotations, dated 29th July 1921, as to the rise in the value of cotton-mill shares we find that the average rise has been 600% in Bombay and 850% in Ahmedabad. They speak for themselves and no comments are necessary.

12503. *Q.* We do not think that any conflict of the nature indicated in Question No. 19 is likely to arise in the near future and even if it did there would be no difficulty in adjusting the same.

We have answered a good many of the questions up to 23 in our introductory remarks.

12504. *Q.* Our answer to Question No. 24 is in the affirmative. In any case the rise in the cost of living is likely to be insignificant and temporary. Protection is bound to lead to internal prosperity.

12505. *Q.* 25 and 26. A policy of protection will certainly influence and affect the foreign trade. The raw-materials for which there is such a tremendous demand would be utilised in the country and the balance of trade would be in favour of India. The answer to Question No. 26 is in the affirmative.

Export duties.

12506. *Q.* We are in favour of imposing export duties on raw materials and food grains. Except on articles meant for home consumption (including of course food-grains) such duties should be levied for purposes of revenue. At present we find that while rice husked or unhusked is liable to an export duty of 3 annas per maund, grain, pulse and flour has been subjected to an import duty of 11 per cent. *ad valorem*. These latter articles should be liable to export and not to import duty. In this connection we cannot help observing that besides export duties whether levied for revenue purposes or otherwise it is absolutely necessary and desirable to increase the railway rates on exports. At present the railway tariff provides facilities for larger export of raw materials such as wheat and oil-seeds through what is known as low export railway rates. We are of opinion that an early revision of the Railway tariff policy is a matter of equal importance for regenerating India economically and financially. The chief food stuff of India is rice and wheat. Let us see how largely they are sent out of the country. Taking the figures for 1913 as fairly representing the trade in recent years it will be seen that the chief countries of the world which produce enough rice to export on a large scale are India (chiefly Burma) Siam and Indo-China, which in 1913 together exported 94 per cent. of the worlds exported surplus. The actual figures for India are as follows :—

Exporting country.	Total export, tons.	British Empire, tons.
India, 1913-14 ...	30,486	29,671
Husked rice.		
India, 1913-14	2,419,863	1,031,163
TOTAL ...	2,450,349	1,060,834

Out of the total exported surplus of rice of all kinds but excluding rice meal and rice dust, from India, Siam and Indo-China, India contributed 53 per cent. (2,450,349 tons) which is just about equivalent to the apparent total requirements of the British Empire from these three countries (2,399,080 tons).

The following table gives the figures for the export of wheat and wheat-flour from India :—

	1913-14. tons.
Wheat	1,202,000
Wheat flour	79,000

We refer to these figures to show how largely India has to send out her food stuffs. While her children are starving and feeling the remorseless pinch of high prices, the foodstuffs produced by her are going out in enormous quantities. Imposition of higher export duties and higher railway export rates varying from time to time according to circumstances will not only yield larger revenue but will also relieve millions from the grip of hunger. We are confident that the industrial advancement of India by a policy of protection will more than neutralise the little loss she may apparently sustain by reduction of price, by creating demands within her borders. For instance a growing manufacture of cotton fabrics will necessarily mean a growing demand for more starch. The British imports of rice includes 40,000 tons for starch alone, 2,500 tons for brewing and 3,000 tons for poultry food.

12507. *Q.* We believe that the question of Imperial preference and preferential tariffs is premature in the present political status of India. India cannot rebuild her former trade if she is to accept the doctrine of Imperial preference. The late Sir Henry Cotton had observed and rightly as many think, that "the essential difficulty always hinges on the disagreeable truth that there can be no revival of Indian Industry without some displacement of British Industry."

In conclusion we may add that the Secretary of the Mahajan Sabha Mr. Tarit Bhusan Roy, M.L.C., will be prepared to give evidence if his health permits.

Mr. Roy, Secretary of the BENGAL MAHAJAN SABHA, Calcutta.

Oral evidence, dated the 8th January 1922.

12508. *President* :—*Q.* Mr. Roy, you represent the Bengal Mahajan Sabha?

A. Yes.

12509. *Q.* Your Association is in favour of a policy of protection?

A. Yes, generally.

2510. *Q.* Towards the beginning of the Sabha's written statement it is stated that a German economist had observed in his book on Political Economy written in 1844 that England prohibited the import of the goods dealt with by her own factories, the Indian cotton and silk fabrics. "The prohibition was complete, and peremptory. Not so much as a thread of them would England permit to be used. She would have none of these beautiful and cheap fabrics but preferred to consume her own inferior and more costly staffs. She was, however, quite willing to supply h

continental nations with the far finer fabrics of India at lower prices and willingly yielded to them all the benefit of that cheapness. She herself would have none of it." Have you got any other authority in support of this?

A. I have the authority of Mr. R. C. Dutt. He also supports this view.

12511. *Q.* In the statement under the head "Protective Tariff" it is stated that the "Legislative Assembly should be the sole judge as to what new industries are entitled to protection." Do you really wish to advocate that the Legislative Assembly, as it is now constituted, should be the sole judge to determine the extent of protection that each industry should get? Do you think that they are qualified to do that?

A. I see no reason why they should not be qualified finally to decide upon such an important matter as this.

12512. *Q.* Don't you think that expert knowledge is necessary? Do you think that the whole Legislative Assembly should debate the question?

A. My idea is this. Let it be first decided and reported on by a small committee of experts, and then let a report be submitted to the Legislative Assembly.

12513. *Q.* You want the expert committee to examine the question in the first instance?

A. Yes, but the final authority should be the Legislative Assembly.

12514. *Q.* Then under the head "Export" duties it is remarked. "At present the railway tariff provides facilities for larger export of raw materials such as wheat and oil-seeds through what is known as low export railway rates. We are of opinion that an early revision of the railway tariff policy is a matter of equal importance for regenerating India economically and financially." Will you please explain what you mean by that?

A. So far as oil-seeds which are the raw materials for oils, are concerned, for the purpose of encouraging export very favourably low rates are fixed. But so far as the oil itself is concerned a higher rate is imposed. So in the case of wheat flour. I have got this from the Monograph on Indian Railway rates published by the Government of India.

12515. *Q.* That accounts for the great difference between the quantity of wheat and the quantity of wheat flour exported as shown in the table on the previous page?

A. Exactly.

12516. *Q.* Then you go on to say "We refer to these figures to show how largely India has to send out her food-stuffs. While her children are starving and feeling the remorseless pinch of high prices, the food-stuffs produced by her are going out in enormous quantities. Imposition of higher export duties and higher railway export rates varying from time to time according to circumstances will not only yield large revenue but also relieve millions from the grip of hunger." Do you think that when normal conditions prevail in India there is an adequacy of food supplies for the masses?

A. So far as production is concerned I do not think that it is inadequate to meet the requirements of India if Burma is taken as a part of India.

12517. *Q.* Do you think the food-stuffs produced in India are adequate to meet the requirement in normal years?

A. In normal years they are not inadequate, but probably on account of the huge exports of foods grains prices go up and the masses are not able to buy them cheap.

12518. *Q.* What you mean is that India produces sufficient grains for her own needs, that there is a net surplus in normal years and that whatever is exported diminishes the actual needs of the population of India in the matter of food grains.

A. It is very difficult to ascertain the exact amount of production with sufficient accuracy so far as food grains are concerned. Naturally if the supply is in excess of the demand prices are bound to go down. These exports keep the price up which otherwise would not have gone up in normal times.

12519. *Q.* That question will lead to various other questions which I do not want to take you to. I thought that what you meant was that the production of food-stuffs in India was barely sufficient for the needs of the population and anything that was exported diminished the quantity actually needed for consumption in India, and that therefore there was want in India. If this was your view I could understand that. Is that what you meant?

A. Exactly.

12520. *Q.* Your remedy would be export duties, raising the rates for the carriage of food-stuffs by the railways order to conserve the food supplies in India and lower the prices and make the food-stuffs available for the people?

A. Yes.

12521. *Mr. Narottam Morarjee.*—*Q.* What means would you advocate for encouraging the hand-loom industry as against the power-loom industry?

A. So far as other countries outside India are concerned, we should put an import duty. For fostering the indigenous industry in India I would encourage the distribution of hand-looms, introduction of special classes in educational institutions for the revival of the skill which Indian weavers once possessed. That is my idea.

12522. *Mr. Coyajee.*—*Q.* You observe that protective duties in the beginning should be moderate and that they must be raised gradually with the development of industries. Do you mean to say you would introduce protection tentatively and increase it slowly observing its effect on developments and also on the cost of living?

A. The difficulty is that if the duties were increased all of a sudden, the result would be that India might be unable to get her supplies from other countries. The other countries might retaliate, and India is not in a position to supply her own needs at once.

12523. *Q.* Consequently you would introduce protection by gradations.

A. Yes.

12524. *Q.* You again say "In the former case the duties imposed at first must not be unduly high and be gradually increased. In the latter they must be high at first and be gradually diminished."

A. Yes. If India were to pass from a state of prohibition to free trade, it will be high at first and gradually diminished

12525. *Q.* You observe "We are of opinion that the manufacture of cotton and silk fabrics, paper, sugar, salt and other necessaries for which there is abundance of raw materials in India should be the special and immediate recipients of protection to start with. The claims of other industries for inclusion into the charmed circle may be gradually recognised if a sufficient case is made out;" so that you are not in favour of starting complete protection all round but giving precedence to those industries for which raw materials are abundant and easily found.

A. I have laid down the principle that a nation which has been formerly insufficiently protected by customs duties but which feels itself called upon to make greater progress in manufactures, must first of all endeavour to develop those manufactures which produce articles of general consumption.

12526. *Q.* If I may presume to add to your arguments protective duties on articles of general consumption will also produce the largest revenue.

A. Exactly.

12527. *Q.* Under the head "Export duties" your Sabha state as follows:—"In this connection we cannot help observing that besides export duties whether levied for revenue purposes or otherwise it is absolutely necessary and desirable to increase the railway rates on exports." May I ask you whether you would do the same in the case of food-stuffs also?

A. Yes.

12528. *Q.* Might I suggest in this case that by putting on not only export duties but also heavy railway rates on exports, there is some fear of upsetting the balance of trade? As a matter of fact India will, if she is to grow to a first rate manufacturing country, need the conservation of all her raw materials for herself. In order to encourage this, would you not apply the same principle of gradation?

A. Yes.

12529. *Q.* Further on your Sabha give some figures to show how largely India has to send out her food-stuffs. Now it has been asserted—and I invite your criticism on that—that the growth of food grains increased in India on account of the export trade and the consequent high prices: conversely it is argued that if you stop the export trade and lower prices, wheat would not be sown to the same extent that it is now.

A. I don't think that would be the case. As a matter of fact I am not competent to express an opinion on the question of wheat.

12530. *Mr. Rhodes.*—*Q.* In what is the Mahajan Sabha interested exactly?

A. In my letter to the Secretary I have explained that the Mahajan Sabha is interested in the inland trade of Bengal.

12531. *Q.* You have written very eloquently on the subject of supporting hand-looms. Do you recommend keeping on the present excise on the mills for the benefit of the hand-looms?

A. If that is necessary, I am in favour of an excise duty in order to protect the hand-loom industry.

12532. *Q.* These hand-looms don't use fly shuttle freely?

A. Yes. The fly shuttle system is being introduced gradually, I have seen it done.

12533. *Q.* I am putting it to you what these hand-looms really want is that some big zamindars should start institutions which would lend out fly shuttle looms and also keep in hand sufficient yarn to carry the people on. This would be of great assistance to the hand-loom industry.

A. Unless the hand-loom is popularised among the agriculturists and those classes, I believe there might be a shortage of yarn for the hand-loom. Big Zamindars should certainly start such institutions, if they are so inclined.

12534. *Q.* They would produce much more with the fly shuttle?

A. I believe so.

12535. *Q.* It has been suggested to me by an English gentleman who is making an experiment on the subject that hand-looms can actually compete with the mills if they are helped by the intelligentsia and capitalists of the local district. I was wondering whether you could tell me anything about it.

A. The intelligentsia are helping the movement.

12536. *Q.* That is more valuable than any help which the Fiscal Commission can give.

A. At present the only help which the Fiscal Commission can render is to protect the hand-loom industry as against the power-looms.

12537. *Q.* Indian and foreign?

A. Yes, both Indian and foreign.

12538. *Mr. Mant.*—*Q.* There are no agricultural interests represented on your Sabha?

A. No. But I can tell you that we have to come in contact with agriculturists who are also artisans and industrialists. We buy from them as a matter of fact.

12539. *Q.* In your opening paragraph you refer to the process of extinction of Indian manufactures which commenced early in the 19th century. Do you mean a deliberate process of extinction?

A. England protected herself in order to build up her manufacturing power. It was natural and she was justified in doing that. Every country ought to do that.

12540. *Q.* I want to get at the meaning of this statement. Does it mean that England deliberately extinguished Indian manufactures?

A. I would not go so far as that.

12541. *Q.* Then what is meant by it?

A. The result has been the extinction of Indian manufactures.

12542. *Q.* Have you studied the subject?

A. Well, I believe I have gone into it.

12543. *Q.* Have you read Professor Hamilton's book dealing with this subject?

A. No.

12544. *Q.* Have you read the evidence which he gave before this Commission a day or two ago?

A. No.

12545. *Q.* I would advise you to read it?

A. Certainly, with pleasure.

12546. *Sir Maneckjee Dadabhoy.*—*Q.* When you are speaking of the hand-looms, you are speaking of your own province. Is it not?

A. No. I am speaking for the whole of India.

12547. *Q.* Have you any knowledge of the working of hand-looms in other provinces?

A. No.

12548. *Q.* What do they want in your province, finer cloth or coarser cloth?

A. Coarser cloth for the present.

12549. *Q.* There is a statement in your written evidence, "From the Bombay and Ahmedabad quotations dated 29th July 1921 as to the rise in the value of cotton mill shares we find that the average rise has been 600 per cent. in Bombay and 850 per cent. in Ahmedabad." Do you mean to say that a share costing Rs. 100 has gone up to 600?

A. It is 600 per cent. increase.

12550. *Q.* Where did you get this information from?

A. I got it from the prospectus of a new cotton company.

12551. *Q.* Your information is wholly incorrect?

A. I do not think so if it is incorrect, the promoters of the cotton mill are responsible for that and not I. I have got a printed copy with me and can place it before you if necessary. It is dated 29th July 1921.

12552. *Q.* You have no personal, knowledge, have you?

A. No.

12553. *Q.* You have no personal knowledge, of the past history of the industry as to how far it has fared badly on account of competition with the power-looms of England?

A. No.

12554. *Q.* You said that protective duties should be moderate.

A. Yes. It ought to be moderate in the beginning and then gradually rising.

12555. *Q.* In which case, it would depend upon the merits of the case.

A. Exactly.

Witness No. 85.

The Managing Agents, the Surma Valley Saw Mills, Ltd., and the Assam Saw Mills and Timber Co., Ld.

Written statement, dated the 10th January 1922.

Ply wood Industry.

12556. As the Managing Agents of the Surma Valley Saw Mills Co., Ltd., and the Assam Saw Mills and Timber Co., Ltd., we place the following particulars before you in support of our contention that a duty should be placed on Ply wood, Tea Chests of all descriptions, and their component parts, imported in India, with a view to protecting a comparatively new industry which has the possibility of becoming of very great importance in the future industrial development of India.

Ply wood manufactured in India is at present used chiefly in the manufacture of Tea Chests, but it is also largely used for the construction of Rubber Boxes, Partitions, Doors, Furniture, Motor Car Bodies, Packing Cases of all descriptions, and all forms of construction where timber in the form of boards having great strength and lightness is required.

During the war we were specially urged by the Indian Munitions Board to consider the question of increasing the output of Tea Chests in India, especially Ply wood Chests, to replace the large quantities of Tea Chests which before the war were being imported to the ports of Calcutta and Chittagong.

After careful consideration of the question, we decided on the erection of factories for the manufacture of Ply wood, Tea Chests in various parts of India; where supplies of suitable timber were available.

The Surma Valley Saw Mills, Ld. was the pioneer of 3-Ply Tea Chest manufacture in India, and with great difficulty and at great expense, owing to the high cost of machinery during the period of the war, an up-to-date eletrically driven factory for the manufacture of 3-Ply Chests was erected in Sylhet. In order to assist and encourage the project, the Company received from the Government of India a lease of a large area of forests situated in the Lushai Hills for a period of 30 years.

The initial efforts to overcome the many difficulties inseparable from the endeavour to establish an entirely new industry in India having been overcome, the Tssam Saw Mills and Timber Co., Ld., were offered a further large area of forests in Northern Assam, one of the conditions being that a Ply wood Factory should be in working condition by the year 1922. This plant was also obtained and erected in spite of great difficulties being met with, and the new factory is now practically ready to commence operations.

The two factories alone are capable of producing 9,00,000 of 3-Ply Tea Chests per annum, but the timber resources of India are vast, and if the industry is protected in its early stages there is no reason why further factories should not be erected, and the quan-

tity of chests required to transport the entire Indian tea crop should not be manufactured in India from Indian timbers, and incidentally a new industry become firmly established, bringing, in an increasingly large revenue to the State in the form of royalties payable on the timber extracted, which timber would otherwise be entirely unproductive, as it is impossible for the large forests of India to be properly and scientifically exploited except by Companies with large financial resources, who are prepared to take up the development work on the most up-to-date lines.

With the termination of the war there was a large quantity of Ply wood of foreign manufacture available for export, with the result the Ply wood industry in India has been faced with severe competition at a period when the many initial difficulties had just been overcome and long and costly experiments and large expenditure of capital were beginning to show a satisfactorily manufactured article.

In view of the foregoing facts we are strongly of the opinion that an *ad valorem* duty of 25 per cent. should be placed cn Tea Chests of all descriptions, and their component parts, and Ply wood imported into India whether in the form of complete Tea Chests or otherwise.

A Tea Chest Industry firmly established in India must, without doubt, be beneficial to the Tea Industry and should it be found that by lack of protection the The Chest Industry in India was compelled to give way to foreign competition there would be a tendency for the cost of imported Chests to again increase. In addition in time of war the Tea and Rubber Industries would be forced again with all the difficulties of obtaining their Chest requirements from abroad.

The Managing Agents, the Buxa Timber and Trading Company, Limited, 1, Old Court House Corner, Calcutta.

Written statement, dated the 10th January 1922.

Ply wood Industry.

12557. As the Managing Agents of the Buxa Timber and Trading Company, Limited, we place the following particulars before you in support of our contention that a duty should be placed on Ply wood and Tea Chests of all descriptions and their component parts imported into India with a view to protecting a comparatively new industry which has the possibility of becoming of very great importance in the future industrial development of India.

Ply wood manufactured in India is at present used chiefly in the manufacture of Tea Chests, but it is also largely used for the construction of Rubber Boxes, Partitions, Doors, Furniture, Motor Car Bodies, packing cases of all descriptions, Railway carriages and all forms of construction where timber in the form of boards having great strength and lightness is required.

During the war we were specially urged by Government to work a forest concession in Bengal and manufacture of Ply wood Chests to replace the large quantities of Tea Chests which before the war were being imported into this country.

After careful consideration of the question, we decided on the erection of a factory for the manufacture of Ply Wood Tea Chests.

This factory alone is capable of an output of 500,000 3-Ply Tea Chests per annum and can be extended to double that output if necessary.

The timber resources of India are vast, and if the Industry is protected in its early stages there is no reason why further factories should not be erected adjacent to the tea districts; and the quantity of chests required to transport the entire Indian tea crop could be easily manufactured in India from Indian timbers, and incidentally a new industry become firmly established, bringing in an increasingly large revenue to the State in the form of royalty payment on the timber extracted, which timber would otherwise be entirely unproductive, as it is impossible for the large forests of India to be properly and scientifically exploited, except by Companies with large financial resources, who are prepared to take up the development work on the most up-to-date lines.

At the termination of the war there was a large quantity of Ply wood of foreign manufacaure available for export with the result that the Ply wood industry in India has been faced with severe competition, at a period when the many initial difficulties had just been overcome and long and costly experiments and large expenditure of capital were beginning to show a satisfactorily manufactured article.

In view of the foregoing facts we are strongly of the opinion that an *ad valoren* duty of 25 per cent. should be placed on Ply wood and Tea Chests of all descriptions and their compenent parts imported into India whether in the form of complete Tea Chests or otherwise.

A 3-Ply Tea Chest industry firmly established in India must without doubt be beneficial to the local Tea Industry; and should it be found that by lack of protection in its early stages the Tea Chest industry in India was compelled to give way to foreign competition there would be a tendency for the cost of imported chests to increase again.

Further in time of war the Tea and Rubber industries would again be faced with all the difficulties of obtaining their requirements from Overseas.

Messrs. Davenport and Bennett representing Surma Saw Mills, Ltd., and Buxa Timber and Trading Co., Ltd.

Oral evidence, dated Calcutta, the 19th January 1922.

12558. *President.*—*Q.* Gentlemen, you are the representatives of the Surma Valley Saw Mills, the Assam Saw Mills and Timber Co., and the Buxa Timber and Trading Co., Ltd.

A. Yes.

12559. *Q.* You say that during the war you were specially urged by the Indian Munitions Board to consider the question of increasing the output of tea chests in India, especially ply wood chests, to replace the large quantities of tea chests which before the war were being imported to the ports of Calcutta and Chittagong. What were the places from which these were imported?

A. (*Mr. Davenport.*) These were imported from Japan and England. The Japanese boxes were the ½ inch boxes, plain wooden boxes and also 3-ply wood boxes. 3-ply wood boxes were also imported to a large extent from England.

12560. *Q.* How were these boxes imported?

A. (*Mr. Davenport.*) They were imported in the form of shooks or panels. In the case of ½ inch country boxes they were imported in bundles either in crates or with hoop iron round them. Then they were assembled in the tea gardens.

12561. *Q.* How long have you established your industry?

A. (*Mr. Davenport.*) It was started in 1916-17. (*Mr. Bennett.*) The Buxa Timber and Trading company was started only six or eight months ago.

12562. *Q.* It was started only six or eight months ago?

A. (*Mr. Bennett.*) I mean serious manufacture was commenced some eight months ago.

12563. *Q.* During the war you had no serious competition.

A. (*Mr. Davenport.*) Well, we had serious competition from the Japanese boxes. A large quantity of Japanese boxes was coming into India. In 1918, boxes to the value of £446,164 were imported from Japan.

12564. *Q.* How do you account for the fact that Japan and England are able to compete with you when you have raw materials on the spot and also markets?

A. (*Mr. Davenport.*) Timber is not the only material required in making tea chests. The most expensive part of the tea chest is the cement, fittings and lead linings, which has only in the last few months been manufactured in India. That is considerably more expensive than the actual timber. The lead lining which is also part of the box and which until recently has not been made in sufficient quantity in this country by any box manufacturing companies has to come from Europe. The lead, cement and fittings in a tea box come to 70 per cent. of the value of the tea chest. If the new industry in this country was increased, that is to say, if the forests were fully exploited and the country turned out the whole number of tea boxes required by the industry, then the other expensive parts of the box could also be manufactured on a much larger scale and for half the price which would bring the making of 3-ply wood boxes considerably cheaper than it is to-day.

12565. *Q.* The cement and the lead which you said form the major part of the cost of a tea chest are now being manufactured in India.

A. Yes.

12566. *Q.* That would make you independent of foreign supplies.

A. Yes.

12567. *Q.* What are the prices of cement and lead which you get locally compared with imported cement and lead?

A. The cement that we are importing is water-proof cement which is essential for a 3-ply wood box. It cost about £110 for a ton and with about a ton of this cement we make generally 3,500 tea chests.

12568. *Q.* Do you get the same quality here now?

A. We have only recently found this local supply. At the moment it is such a new industry that it has not yet been possible to find the actual cost but we anticipate that the cement will cost about eight annas a chest.

12569. *Q.* Would that be cheaper than the imported article?

A. Yes.

12570. *Q.* So that it would add to your advantage in manufacturing tea chests.

A. It is only available now in small quantities, that is one of my present difficulties. The industry is not yet fully developed.

12571. *Q.* Does it show prospects of becoming a successful industry?

A. We found the Indian manufactured article quite suitable.

12572. *Q.* So your difficulties are only temporary.

A. We hope so. (*Mr. Bennett.*) We are handicapped in the matter of labour which requires a considerable amount of training. We believe that once the labour is trained in this country not only the actual workmen but also the overseer who looks after the machinery and the workmen and is responsible for the detailed work of the different departments, once the services of these men become efficient, which should be say, in five years, we might be able to do without any protection at all. (*Mr. Davenport.*) Our plant is a very complicated plant for the timber has to pass through very many processes. Careful supervision is required in each of these stages. That has been one of our difficulties. I am now speaking with reference to the Surma Valley Saw Mills, Ld. There the plant has been working since 1918 and it is only now that the training of which Mr. Bennett spoke has begun to bear fruit. We are also getting satisfactory cement in India though in small quantities. We believe that the supply will increase. Now that the war is over, we are just meeting the competition from abroad after a long period of costly experimenting. I can give you the figures showing the value of tea chests imported into India for 1918, 1919 and 1920.

	1918.	1919.	1920.
	£	£	£
United Kingdom . .	356,694	341,821	596,542
Russia . . .	104,856	138,705	50,944
Japan . . .	446,164	274,433	45,673
Others . . .	92,520	130,841	43,709

12573. *Q.* Are there any special reasons for these variations in the matter of export from the United Kingdom?

A. Perhaps the factories in the United Kingdom were more or less moribund temporarily and gave others an opportunity of filling up the deficiency.

12574. *Q.* You say that the new industry, if firmly established, will bring in an increasingly large revenue to the State in the form of royalty payment on the timber extracted, which timber would otherwise be entirely unproductive.

A. Yes. The timbers we work on are what we call jungle timber and for royalty we pay so much per cubic foot.

12575. *Q.* Would those be valueless otherwise?

A. (*Mr. Davenport.*) Practically they would be. Some small contractors would here and there cut along the edges of forests but it would be impossible for them with their limited means to penetrate into the interior and extract timber.

12576. *Sir Maneckjee Dadabhoy. Q.* You think your industry requires Protection in the initial stages?

A. (*Mr. Bennett.*) For a period of years only until the labour is trained and everybody understands how to work.

12577. *Q.* Can you say approximately how long it would take?

A. (*Mr. Bennett.*) 3 to 5 years.

12578. *Q.* And you want so much as 25 per cent.?

A. (*Br. Bennett.*) That is the minimum that would be really protective.

12579. *Q.* Would it affect the tea industry by raising the price of tea chests?

A. (*Mr. Bennett.*) I do not think it will cost any more to the planters than it does now. If we can sell the whole of our production our working expenses will come down considerably and we can sell at more or less the same price as we are selling now. If we have 8 annas a box more than what we get now we shall be satisfied.

12580. *Q.* But the 8 annas will have to be paid by the tea industry?

A. (*Mr. Bennett.*) 8 annas would come to half a pie or a pie a lb. An average tea chest contains about 125 to 130 lbs. of tea, and 8 annas a chest will be 1 or ½ pie a lb. of tea. The planter would not pay more than he is now paying for imported boxes. We cannot raise our price beyond a certain point, and of course, if anybody were creating a monopoly the Protection can be withdrawn. We do not consider it necessary to raise our prices so much. A small increase would probably assist us for the transition period.

12581. *Q.* And you think such a high duty as 25 per cent. would not in any way affect the tea industry?

A. (*Mr. Davenport.*) By raising the price of the chests. No. I do not think so.

12582. *Q.* If the prices will not rise, how will it help you?

A. (*Mr. Davenport.*) It would increase the price of imported boxes. We are speaking about the price of our boxes, and we do not think the price of our boxes will increase. Possibly the imported boxes would cost a little more, and that is where Protection would come in.

12583. *Q.* Then the tea industry will have to pay more than it is paying now?

A. (*Mr. Bennett.*) Home manufacturers would not be able to undercut prices in the same way as they do now. Therefore, we will have a better chance of selling our chests.

12584. *Q.* It would raise the price to the tea industry?

A. (*Mr. Bennett.*) If it raises, it would not raise it by more than 1 or ½ pie per lb. of tea.

12585. *Q.* You said that £1 million worth of tea chests were imported into India in the year 1918. What is the approximate number of chests imported?

A. (*Mr. Davenport.*) As far as I can understand there are no figures available. Figures in the Government returns of imports into India are given in the form of total value in sterling.

12586. *Q.* How many Companies are there?

A. (*Mr. Davenport.*) There are two under the management of Messrs. Bird & Co., one under the management of Messrs. James Scott & Sons, Ld., and there is a small factory now being erected in Assam by the Assam Railway Co.

12587. *Q.* There are altogether three large Companies?

A. (*Mr. Davenport.*) There is a fourth factory now being erected.

12588. *Q.* All Europeans, I suppose. Are there any Indian Companies?

A. (*Mr. Davenport.*) No, but the three Companies which we are interested in are all registered in India.

12589. *Q.* These Companies are all floated in India?

A. (*Mr. Davenport.*) Practically all the capital was subscribed in India.

12590. *Q.* What is the annual requirement of boxes for the Indian tea industry?

A. (*Mr. Davenport.*) In 1918-19 327 millons lbs. weight of tea were exported from India. Taking an average of the Indian and Ceylon export—for 100 lbs. of tea one chest is required—about 5 million boxes would be required to ship the normal crop.

12591. *Q.* How many boxes do your Companies turn out annually?

A. (*Mr. Davenport.*) Our two factories can turn out about 1½ million. (*Mr. Bennett.*) Ours can turn out ¾ million chests.

12592. *Q.* That is about 2 millions. That is 3 million boxes will have to be imported from England?

A. (*Mr. Davenport.*) As things stand at present.* But our factories are capable of expansion. (*Mr. Bennett.*) We have raw material sufficient to manufacture all the 5 million boxes.

12593. *Q.* Can you get labour easily to manufacture?

A. (*Mr. Bennett.*) Labour has to be trained, but we have a nucleus. (*Mr. Davenport.*) We expect no difficulty at all.

12594. *Q.* I want exactly to understand why you want this 25 per cent. Protection. We will have to know to what extent the English exporters are in a favourable position. You only want the actual difference in cost between the exporting houses and the local manufacturers?

A. (*Mr. Bennett.*) On account of efficient labour and greater output, the cost of Protection is less there. These are the two main items. Then, the price of coal is more favourable to them than to us, and I expect that will continue. They also benefit by having many more markets to put their goods on, but we have absolutely to depend on the local markets. They make furniture, boards and other things and send to many parts of the world, and they benefit to that extent.

12595. *Q.* You mean their bulk production would make their cost of production cheaper?

A. (*Mr. Bennett.*) Yes.

12596. *Q.* Then, how do you work out this 25 per cent.?

A. (*Mr. Bennett.*) We consider the 25 per cent. would be roughly Re. 1 a box.

12597. *Q.* Are you undersold by Re. 1 a box at present.

A. (*Mr. Davenport.*) It is not a question of underselling: it is a question of our not being able to sell our goods at any price. These people have connection with the home people.

12598. *Q.* Then 25 per cent. will not help you?

A. (*Mr. Bennett.*) This 25 per cent. will help. (*Mr. Davenport.*) It will enable us to undercut them.

12599. *Q.* You mean the present proprietors of the tea industry have got an English connection and they place their orders at home. Would not the local planters help you? They are all Europeans?

A. (*Mr. Bennett.*) I do not know whether they have any say in the matter. I do not know whether they place the orders at all. I cannot say who places these orders. (*Mr. Davenport.*) The orders are placed with us in the name of a Company. We do not know where the order originates from. A certain tea Company gives us an order for so many thousand boxes.

12600. *Q.* You are already receiving a substantial amount of support from Government in the form of favourable leases?

A. (*Mr. Davenport.*) It is favourable to the extent that we have been given many areas of timber in the vicinity of our factories.

12601. *Q.* Does not that put you in a very favourable position?

A. (*Mr. Davenport.*) No, because it is very difficult to get that timber to the factory. We have no railways going into our forests, and the method of moving the timber is very difficult. We have to employ a large number of elephants; the timber has to be floated down a river which is in torrent in the rainy weather and contains insufficient water in the dry season. In sudden floods there is great danger of big losses of timber. We have had experience of that for many years and that raises the price of timber at our factory. It is against colossal difficulties that we are working.

12602. *Q.* What about Ceylon? Has Ceylon got any tea chest manufacturing industry?

A. (*Mr. Davenport.*) Not to my knowledge.

12603. *Q.* Can you get business from Ceylon if your workshops are capable of turning out a large number of chests?

A. (*Mr. Davenport.*) Yes, a very big demand both for rubber and for tea. I think we can quote a favourable rate.

12604. *Mr. Mant.*—*Q.* If you can quote a favourable rate in Ceylon without any Protection why do you need a Protection of 25 per cent. in India?

A. (*Mr. Bennett.*) So far as the Buxa Timber Co. is concerned, it is not our experience that we can quote a favourable price, because Japan and the United Kingdom can undercut us.

12605. *Q.* I understand that it is the Assam and Surma Valley Saw Mills that would quote a favourable rate?

A. (*Mr. Davenport.*) I think with this Protection we could. If I am selling only 50,000 chests the cost would be very high, but if I had the full support of the tea industry in this country, it would enable me to bring the prices of our boxes down, and I can stand competition from anywhere.

12606. *Q.* In India you would be protected by a 25 per cent. tariff, an advantage which you would not enjoy in Ceylon where you would come into competition with the world. You would probably have to sell cheaper in Ceylon than in India.

A. (*Mr. Davenport.*) If we have Protection in India, we should be able to compete in Ceylon.

12607. *Q.* This competition that you fear at present, is it only due to temporary causes such as excess of stocks at the present moment or is it permanent?

A. (*Mr. Davenport.*) I think it will be permanent. The industries abroad are of course long established; they have much larger world markets enabling them to sell a much larger outturn.

12608. *Q.* Have they not increasing difficulties as regards timber supplies?

A. (*Mr. Davenport.*) Well, in the case of ordinary boxes, we think so. But in view of the way in which they are able to cut their timber into regular planks $\frac{1}{16}$ of an inch thick, the available amount of timber would take a long time to be exhausted.

12609. *Q.* I understood you to say that the United Kingdom is the largest exporter.

A. (*Mr. Davenport.*) In the year 1920 they were.

12610. *Q.* Where do they get their timber from?

A. (*Mr. Davenport.*) I believe certain of the panels are cut abroad and then imported into England and then re-exported.

12611. *Q.* Russia used to supply the best timber?

A. (*Mr. Davenport.*) Russia and Finland.

12612. *Q.* It ceased in the war?

A. (*Mr. Davenport.*) That is why we were asked to see what we could do. But I believe those supplies are now freely moving, and there is not the same difficulty now.

12613. *Q.* In Russia?

A. (*Mr. Davenport.*) Not Russia, but Finland and Sweden. I believe some timber comes from Bavaria.

12614. *Q.* You said you could increase your output very largely?

A. (*Mr. Davenport.*) Very largely.

12615. *Q.* Have you ample supplies of suitable timber?

A. (*Mr. Davenport.*) We have vast supplies of timber, but as time goes on that timber may become more difficult to get at in view of the lack of railways, but we do not anticipate any great difficulty.

12616. *Q.* I do not want to ask you any questions about your trade secrets about the sort of timber you use.

A. (*Mr. Davenport.*) But I might give you this information. When we commenced we had to experiment on many types before we found the suitable timber which we have now. It has been very unfavourably reported on by the tea industry, but it took time and a lot of research to find that.

* Subsequent explanation by witness "Ceylon figures should not be included."

12617. *Q.* What I really want to find out is about supplies. Do you get suitable timber in compact blocks?

A. (*Mr. Bennett.*) Our business is run on entirely different lines. We cut everything and we are making use of everything we cut. We even make use of the barks of certain trees for extracting tannin. (*Mr. Davenport.*) In our case, there are certain lists of timbers which we are given to extract and some of those timbers which are not suitable for lack of strength we sell locally for building purposes.

12618. *Q.* You do not clear the whole block.

A. (*Mr. Davenport.*) We are not permitted.

12619. *Q.* What happens to the rest of the timber?

A. (*Mr. Davenport.*) Some of our forests as you approach them are a dense mass of green vegetation which has not been worked in past years. If certain trees are removed they are greatly improved: the other trees will grow straight and that will greatly improve the value of the forests.

12620. *Q.* (To Mr. Bennet.) And what do you reproduce? Are those trees which you cut replanted by the Forest Department?

A. (*Mr. Bennett.*) In the case of Buxa Timber Co., the areas from which timber is felled are planted with suitable trees.

12621. *Q.* So, your future supply will be greater?

A. (*Mr. Bennett.*) Our future supply will be ten times greater than the present supply.

12622. *Q.* You have asked for an *ad valorem* duty. At present what is the duty on tea chests?

A. (*Mr. Davenport.*) Two and a half per cent. *ad valorem.*

12623. *Q.* Have you any particular reason for asking for an *ad valorem* duty? The Customs authorities prefer specific duties as they would be easier to administer. I would like to know whether your goods would be suitable for a specific duty.

A. (*Mr. Bennett.*) It would not make very much difference whether it is an *ad valorem* duty or a specific duty. (*Mr. Davenport.*) I think *ad valorem* would be easier to administer.

12624. *Q.* Are the boards and shooks imported for making tea chests fairly uniform in quality, and if so would it not be more simple to have a duty on weight.

A. (*Mr. Bennett.*) It is not only on the actual boards and shooks that we want the duty. The shooks are very small compared to the tea boxes. It would make a great difference whether the duty is put on the boards and shooks only or on all the component parts of the tea chest.

12625. *Q.* " Compotent parts " is rather vague.

A. (*Mr. Davenport.*) Well, they come in now as component parts of tea chests. These values I have quoted are for tea chests and their component parts. (*Mr. Bennett.*) In the 3-ply boxes the component parts are actually more valuable than the tea chests.

12626. *Q.* You mentioned lead lining. Is not that used for any other purpose than tea chests?

A. (*Mr. Davenport.*) Not in any form that I know of. I do not know of anything else except its use by the retail people.

12627. *Q.* You do not think any difficulty would arise in identifying the component parts of the tea chests.

A. (*Mr. Davenport.*) No.

12628. *Mr. Rhodes.*—*Q.* It not all the tea lead imported?

A. (*Mr. Bennett.*) The lead is possibly imported, but there is one factory of ours and also another Company has a factory in India which rolls the metal into the form of sheets for tea boxes.

12629. *Q.* And it is imported in the form of . . .?

A. (*Mr. Bennett.*) It is imported in the form of pig lead. There are two mills, our own mill, the Buxa mill which is situated next to the Buxa factory, and another mill which is in Calcutta.

12630. *Q.* Are you supplying that lead as cheaply as the imported lead?

A. (*Mr. Bennett.*) Yes. We supply it at the same price. There is a lead combine and the mill which is in Calcutta belongs to the combine. There is also another mill in Colombo which also belongs to the combine. We are the only mills which do not belong to the combine.

12631. *Q.* Are you undercutting the combine?

A. (*Mr. Bennett.*) We certainly have no change of undercutting it.

12632. *Q.* You can compete on the same rates?

A. (*Mr. Bennett.*) It is growing rather difficult to do so.

12633. *Q.* I certainly find that I have to buy lead from the home market and import it.

A. (*Mr. Bennett.*) We started rolling lead only a few months ago.

12634. *Q.* The tea gardens have for many years been buying from England?

A. (*Mr. Bennett.*) Yes.

12635. *Q.* Are they mostly European Companies or Indian Companies?

A. (*Mr. Bennett.*) The largest tea companies are English Companies.

12636. *Q.* And that means the orders are placed in England, and so you are up against the same difficulty as we have heard in regard to the railways. All the railway Companies have their boards of directors at home, and they place their orders at home.

A. (*Mr. Bennett.*) Something of the same kind. We have no wish to make the tea planter pay any more than he pays now.

12637. *Q.* To what extent do the tea gardens make their own boxes?

A. Those that have forests and timber available make their own boxes, but every year this timber is becoming more and more scarce and more and more costly, and the country boxes are rapidly going out of the market altogether.

12638. *Q.* The tendency is towards specialising in the manufacture of tea boxes?

A. (*Mr. Davenport.*) The tendency is to have more and more 3-ply boxes. (*Mr. Bennett.*) There is also a saving of 10 per cent. in freight in the use of the 3-ply chest.

12639. *Q.* It seems to me that your reply to Sir Maneckjee Dadabhoy forces one to the conclusion that you really would be better off if the tea companies were all Indian Companies.

A. (*Mr. Bennett.*) If all the Indian Companies would help us better we could certainly sell cheaper.

12640. *Q.* And you think a fairly heavy duty for a few years would help you to divert the trade and not raise the cost to the tea-growers? (*Messrs. Bennett* and *Davenport.*) We agree with that.

12641. *Q.* You suggested that the tea lead industry is a monopoly. Is the box-making industry a monopoly?

A. (*Mr. Davenport.*) No. (*Mr. Bennett.*) There is no monopoly. There is more than one Company manufacturing.

12642. *Mr. Mant.*—*Q.* I am not quite clear about what are the fittings apart from tea lead?

A. (*Mr. Davenport.*) Outside the 3-ply chests twelve small strips of white metal are used. They are folded and rivetted to the wood.

12643. *Mr. Rhodes.*—*Q.* If I import metal in strips I won't declare them as intended for tea chests.

A. (*Mr. Bennett.*) The majority of these fittings are already made, cut to certain sizes and sent out as component parts. There are several firms at home which make these things. We also make ours. We get tin sheets and make our own fittings.

12644. *Q.* If I import these things separately and there is a duty of 25 per cent., I would not declare them as component parts of tea chests but simply as metal plates or metal strips.

A. (*Mr. Bennett.*) They could not get the present 2½ per cent. rate. They would come in at 11 per cent. if they did not come in as tea chest parts. (*Mr. Davenport.*) Certain brands of tea boxes are sent out complete in a case, with the tin sheets, lead fittings and everything required for the box in one case. It is a very economical form of packing especially when they are sent to long distances. Some people prefer to get out these component parts with the panels.

12645. *Q.* The Customs Officers seem to be very emphatic that the duty should be charged from their point of view on the goods as they stand and not in connection with their ultimate use.

A. Certainly.

12646. *Mr. Cowasjee.*—*Q.* What will the additional duty amount to per box in the case of the middling grades of tea? Do you think that the cost of the tea is increased by about 1 per cent?

A. (*Mr. Davenport.*) It will be increased by 1 per cent.

12647. *Q.* It might be more in the case of the inferior grades of tea?

A. We have taken the average price ignoring the higher grades.

12648. *Q.* The process of the diversion of trade from the foreign tea chest manufacturers will take some time in view of the fact that you are supplying at present only two-fifths of the country's demand?

A. We are not supplying two-fifths. We wish to do that, and we hope to do that.

12649. *Q.* In order to equip yourself to meet the supply a certain number of years will have to elapse?

A. (*Mr. Bennett.*) I do not think it would be such a long period as it would take if we were to construct the original factory. We have got the original plant. It would only mean certain additional machines to be put up in the factory and a certain amount of trained labour which is already available. It may take 4 or 5 years.

12650. *Q.* That is why you say it will take 4 or 5 years.

A. (*Mr. Bennett.*) Our expansion period would not be so very great. We would not require the same time as we would if we had to put up our original factory, to start it and work it. Only the driving plant and the motor engines have to be obtained, to add to our output. This would only mean a certain small time.

12651. *Q.* Not even five years?

A. (*Mr. Davenport.*) There are also many other points. India is very suitably situated for making tea chests. The time required to turn out tea chests after a few additions to our factory would be comparatively short, and then we will be able to supply to a larger extent.

12652. *Q.* Have you yet supplied any boxes for holding rubber?

A. (*Mr. Davenport.*) My Company have done.

12653. *Q.* To any material extent?

A. We have been endeavouring to supply the needs of the rubber trade also, and we have met with certain success. We cannot face the great Japanese competition. They have got a great hold over the rubber box industry in the Federated Malay States and Burma.

12654. *Q.* You do export business then?

A. (*Mr. Davenport.*) Yes. We are hoping to increase it. If we had a demand for the whole of our output we should concentrate on the tea boxes. We started our Company for tea boxes.

12655. *Q.* You say "Should it be found that by lack of Protection in its early stages the tea chest industry in India was compelled to give way to foreign competition there would be a tendency for the cost of imported chests to increase again." You state that the cost of the imported chests will increase again. That means it has decreased. How far have the foreign articles been cheapened in recent years?

A. (*Mr. Bennett.*) We mean to say that if our competition is suddenly withdrawn the prices would rise.

12656. *Q.* The price has not been lowered?

A. It has come down considerably. (*Mr. Davenport.*) It has come down by 50 per cent. in the last two years.

12657. *Q.* Only in the last two years or before?

A. Since the war prices have come down. This year they have come down still further.

12658. *Sir Edgar Holberton.*—*Q.* With reference to the component parts of the tea boxes being imported separately is it not a fact that a whole 3-ply tea chest is fitted together in a prodigiously small space of time and used in the factory. Is it not all a very simple process?

A. (*Mr. Bennett.*) That is so.

12659. *Q.* If you have an elaborate system of putting the parts together the utility and the cheapness of it would be destroyed to a great extent.

A. (*Mr. Bennett.*) If you make the fitting very elaborate it might discourage the use of patent chests.

12660. *Sir Maneckjee Dadabhoy.*—*Q.* What is the total capital of your Companies?

A. (*Mr. Davenport.*) Surma Valley 29¾ lakhs; Assam Saw Mills 27¾ lakhs. (*Mr. Bennett.*) We have invested over 40 lakhs.

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Witness No. 86.

THE BENGAL MASTER PRINTERS' ASSOCIATION, Chowringee, Calcutta.

Written statement, dated the 16th January 1922.

12661. *Q.* I am directed by my Committee to address you with regard to the question of protective duties on printing ink and paper.

In the first place my Committee wish to point out that printed books are admitted to the country free of all duty. The Government have apparently always taken the view that to impose a duty on literature is unsound. With this view my Committee are in agreement. At the same time they feel that while literature is admitted free, there should be placed no handicap on the local production of books which would undoubtedly be the case if protective duties were introduced on paper and printing ink.

The printing of educational books is an infant but exceedingly thriving industry in India, particularly in Bengal, Bombay and the Punjab. The demand for elementary school books is so great that large English publishers are now printing these books locally and incidentally providing employment for Indian labour.

My Committee have taken the case of an actual book that has been printed in very large numbers by a local press. Taking a datum figure of 32 as the present cost, the effect of a 20 per cent. duty on paper and ink would bring the cost to 37 paper only 36/12 and ink only 32/5. The matter is therefore very serious.

In the above figures which refer to book printing ink plays a small part. The effect is considerably different when the question of newspapers is concerned. Vast quantities of ink are required and the combined effect of a 20 per cent. duty on ink and paper in all newspapers in Calcutta would be to increase their expenses by nearly Rs. 10,000 a month. Naturally this charge would react upon advertisements and subscriptions, the cost of which would be largely increased, while very many newspapers would cease to exist.

In discussing the matter of the effect of duty on newspapers my Committee desire to explain that the question of local supply does not come in, as local mills have hitherto not been able to supply paper for newspapers—"News" as this is called must be made from wood pulp as on papers made from grass the ink is not absorbed in the manner essential for newspaper printing. As the manufacture of wood pulp in India is still in the experimental stage and all used has to be imported, my Committee think it obvious that a protective duty on paper is undesirable.

My Committee desire to point out that they are not prejudiced against country made paper. If the local mills could produce papers of passable quality and reasonable price, they would not pass them by. But the plain facts are that local mills only produce the very poorest qualities of paper and it is doubtful if local conditions will ever enable them to do better than they are now doing. They have had ample opportunities for experiment and have been many years in existence but it would appear that conditions are fatally against them. Added to this it is the experience of individual members of the

* Subsequent explanation by witness "Ceylon figures have again been included."

Association that when during the war local mills had all the advantages of lack of competition they abused their position and not only let down their quality but increased their prices to such an extent that they might reasonably be accused of profiteering.

Taking the question of ink, my Committee know of only one manufacturer of printing ink and it would appear more desirable to deal with an isolated case of distress as such than to alter the whole fiscal policy of the country.

Beyond being buyers of printing ink my Committee disclaim expert knowledge of its manufacture. It is, however, a trade requiring the greatest skill and care in manufacture and even in England and the Continent of Europe the manufacturers of printing ink are few and far between. It therefore would appear that the chance of ink manufacture becoming an important local industry are remote. The evidence of the Hooghly Printing Ink Company is special pleading and unsupported by evidence. It is probable that for some grades of inks this Company could supply the whole of India. But as all-round suppliers of printers' ink they have not shown hitherto that they can do so. My Committee is preparing evidence to this effect which is available if required.

With regard to the question generally the Directory gives the names of 68 printers in Calcutta. It is therefore an important local industry and employs many thousands of Indians. If the price of materials in the printing trade is increased, a considerable percentage of the work now available will come into competition with cheap and efficient printing in Holland and Germany both of which countries are daily canvassing for work. The inevitable consequence will be that a portion of work done now in Calcutta will go to those countries. It is rather important work too as large numbers are involved which keep printing offices going when other work is slack. The local printing industry is already handicapped by the high cost of living and consequent increase in wages and a further increase in materials will place it at a greater disadvantage.

Mr. HOOPER, representing the Bengal Master Printers' Association, Calcutta.

Oral evidence, dated the 19th January 1922.

12662. *President.*—*Q.* Mr. Hooper, you appear as the representative of the Bengal Master Printers' Association?

A. Yes.

12663. *Q.* Your Association is opposed to any protection being given to the printing ink and paper industries. Is that so?

A. Yes, on account of the increase in cost to the printing trade. It is a very large industry here and employs a very large number of men. I am afraid that if the price of materials is increased it will drive trade out of the country.

12664. *Q.* Do you think it will drive the printing trade out of the country?

A. I may say that it will drive out a large amount of the book printing trade. I have been looking into the matter, especially since I was asked to come here, and I find that Messrs. MacMillan & Co., with a capital of 25 millions sterling print an enormous amount of school books here. Practically every press in Calcutta has orders from them. We have got a special type of new machine and we have been printing for them continuously ever since the machine was put in. The Caledonian and the Edinburgh and Messrs. Gulab Singh and Sons are all engaged in printing school books, mostly in the vernacular.

12665. *Q.* That is to say, Messrs. MacMillan & Co. take contracts from Government and employ sub-contractors to carry out the work.

A. Hardly that. The orders are not from Government. The works are books for schools, and they employ local printers to print them.

12666. *Q.* You say that the chances of ink manufacture becoming an important local industry are remote. Why do you say so? Why should not India supply all the ink that it needs?

A. I have been going round the printing trade making careful enquiries since that note was written. I find as a result that there is only one company manufacturing printing ink here. There are others who buy ink, but they are really not manufacturers; they render down ink. The Hooghly Printing Ink Co, have had difficulties of labour. They have also difficulty in finding materials. They were not very successful at the outset. But now they produce some fine products and cheap news ink. For instance, "Capital" is printed with their ink. It is very good. But it will take some years for them to develop. I might add that I understand that their coloured inks are good. They seem to have overcome the difficulties of manufacture. But to supply all the printing ink required in India is a very big job for one company.

12667. *Q.* Nobody expects that the Indian supplies would be provided by one firm of manufacturers. But you say that the chances of ink manufacture becoming an important local industry are remote. Is the manufacture of ink of such a technical character as would not enable India to establish an industry for the supply of her practical necessities?

A. There are few ink manufacturers in England.

12668. *Q.* They supply all the needs of England?

A. Yes.

12669. *Q.* Why should not India look forward to getting its own supplies of such a necessity as ink? Could it not be manufactured throughout India? Are there any inherent difficulties in the establishment of the ink industry in India to supply all India's needs?

A. To tell you the honest truth I do not know much about the printing ink. It is a dead secret. You won't get anybody to tell you.

12670. *Q.* There are no inherent difficulties in the way of establishing an industry for the supply of ink?

A. I tried to ask Mr. Richardson about it in the course of a conversation and he would not tell me.

12671. *Q.* Surely he would not disclose his trade secrets. Nobody should expect him to do so.

A. I think nobody else has tried to start printing ink manufacture.

12672. *Q.* You do not know of any inherent difficulty?

A. No.

12673. *Sir Edgar Holberton.*—*Q.* You make a statement that the present paper manufacturers of India are unable to produce good paper at all. Don't you think that this is good paper? This sample book was given us by one of the paper representatives here (Here Sir Edgar Holberton handed to the witness a sample book to examine).

A. If you examine this sheet you will find some black spots which we call retree. (Here witness picked out a particular sheet from the sample book). One of the difficulties of these manufacturers is that they do not keep up to their standard.

12674. *Q.* Then they do not produce good paper?

A. I think not.

12675. *Q.* With reference to the question of wood pulp you say that all the wood pulp at present used in India is imported—Is that so?

A. The manufacture of wood pulp in India is still in the experimental stage. I do not think that it is practicable at the present time.

12676. *Q.* Surely there is one firm here?

A. I understand that Messrs. Andrew Yule & Co. have experimented. But I do not know of any wood pulp that is available at the present time.

12677. *Q.* To your knowledge it is not available on the market?

A. Not to my knowledge.

12678. *Mr. Coyajee.*—*Q.* You say in your evidence "when during the war local mills had all the advantages of lack of competition they abused their position and not only let down their quality but increased their prices to such an extent that they might reasonably be accused of profiteering." Might I be permitted to contrast this statement of yours with this official statement in the Munitions Board Handbook. It says "Since the

war comment has been made on the fact that the Indian paper mills have made large profits. It is a fact that they have done so. But it is equally the fact that most of the ordinary sorts of paper in England have cost the consumers over half as much again in fact double the price at which they have been procurable in India." Do you agree that there has been 50 per cent. more profiteering in England?

A. The English paper mills were turned into munition factories. The Indian mills had no difficulties ever and a tremendous market was opened out to them.

12679. *Q.* As regards printing ink, is it not a hardship that the printing ink company should pay 11 per cent. import duty on their raw materials and that the duty on the ink should only be 2½ per cent?

A. I think that is a great hardship.

12680. *Q.* They have not asked for a 20 per cent. duty. They say "Either put us on the same level or give us a rebate."

A. That company has every sympathy from us. They are trying honestly to establish themselves.

12681. *Q.* You calculate the effect of a 20 per cent. duty on paper and ink and say that the matter is very serious, but as you see there is no demand for a 20 per cent. duty on ink.

A. My own personal opinion is that 11 per cent. does not very much matter.

12682. *Mr. Rhodes.*—*Q.* Are you buying any local paper at all?

A. We buy a considerable amount of local paper.

12683. *Q.* Can you give us any rough proportion?

A. Possibly 10 per cent. of our requirements.

12684. *Q.* Where do the local mills find their market now?

A. I do not know really. They sell a lot to Government.

12685. *Q.* How could Government afford to buy that paper when you cannot?

A. It is not a question of affording. Government don't mind what they get. They order their paper and do not mind what the quality is for printing Government reports and that sort of thing.

12686. *Q.* You do not suggest that Government are paying more, but that they are satisfied with very low quality.

A. That is so.

12687. *Q.* Would Government save money by buying imported papers?

A. Well, I don't think they would.

12688. *Mr. Mant.*—*Q.* You give some figures to show how protection of paper and ink would increase the cost of books.

A. Yes.

12689. *Q.* The ultimate effect wuold, I presume, be to stimulate the import of books as against printing here.

A. Yes.

12690. *Q.* If protection of paper and ink were adopted, the only way of protecting your book industry would be by imposing import duties on books.

A. Yes, on books imported in bulk.

12691. *Q.* Then that would protect you, if the paper and ink people were protected.

A. We don't ask for protection.

12692. *Q.* Assuming they got Proteetion, would you ask for it then?

A. No, we would not ask for protection on imported printed books. Of course if we are manufacturing stationery, for instance, and that sort of thing, we might ask for it, but we are quite satisfied as we are.

12693. *Q.* If protective duties were imposed on your raw materials, would you not claim Protection for your manufactured article?

A. We should certainly be hit.

12694. *Q.* You say that in the case of books the ink is a very small item.

A. Yes.

12695. *Q.* But it is a very large item in the case of newspapers.

A. Yes.

12696. *Sir Maneckjee Dadabhoy.*—*Q.* There are a large number of vernacular newspapers in the country?

A. Yes.

12697. *Q.* They print on these locally made papers?

A. They print a great deal on Norwegian papers.

12698. *Q.* Also on locally made papers?

A. No, I don't think so. I don't see how you can print a newspaper on locally made papers.

12699. *Q.* During the war they did. I am not speaking from the point of view of the press as a whole. So far as my information goes—here I am subject to correction—thousands and thousands of vernacular newspapers are printed on locally made papers.

A. They might have. They must have had great difficulties to contend with.

12700. *Q.* I never heard of any complaint so far as I am aware.

A. When I talk about papers, I talk about those which are printed from a reel, that is what is known as "News." Probably the local vernacular papers print a small issue and use flat-bed machine. In that case, there would not be much difficulty in printing on locally made papers. It is only in the case of a rotary press and printing from a reel and in large numbers, that the difficulty comes in.

12701. *Q.* These local vernacular newspapers only go in for cheap papers and do not care for durability and finish.

A. That is so.

12702. *Q.* Their subscription is so very cheap.

A. Yes.

12703. *Q.* At any rate I understand you object to any increase in the present duty of 11 per cent. which you think is reasonable.

A. We can manage with the 11 per cent. all right.

Witness No. 87.

The India Paper Pulp Company, Limited, 8, Clive Row, Post Office Box No. 150, Calcutta.

Written statement, dated the 19th January 1922.

12704. *Q.* We have noted the statements submitted to the Commission on the subject of free import of all materials used in the manufacture of Paper including Paper Pulp and we wish to voice a protest against this. Paper Pulp is not a raw material. Its manufacture requires a difficult and expensive process.

The India Paper Pulp Company is an Indian Company which manufactures Paper Pulp in India from Bamboo and uses whenever possible chemicals produced in India.

If consideration by way of protective tariffs is to be shown to any industry we consider that we, as makers of Bamboo Pulp, are especially entitled to such consideration in that we are starting an entirely new process, the first of its kind in the world, and meeting the aspirations of the Government Research Department in developing a genuine home industry. The Paper Companies import a large proportion of their fibrous raw material whereas we are producing our pulp from an indigenous plant and although there is plenty of Bamboo available the organisation necessary to collect it on a large industrial basis can only be started at great cost to the pioneers.

We have built in India a large and expensive Plant which is just commencing operations, and in view of the encouraging nature of results which we have so far obtained, we do not consider it unreasonable to hope that India will in time become one of the largest suppliers of Paper Pulp, but to set this industry properly on its feet, Government encouragement is necessary.

We ask that the Fiscal Commission should consider recommending a tariff on Paper Pulp imports, in order to foster and encourage a young industry of the greatest importance to India and we suggest a tariff of 25 per cent.

Mr. COURTENAY, representative of the India Paper Pulp Company, Limited, Calcutta.

Oral evidence, dated the 19th January 1922.

12705. *President*:—*Q*. You appear as a representative of the India Paper Pulp Company.

A. Yes.

12706. *Q*. You have started a new enterprise by trying to manufacture paper pulp from bamboo, is that it?

A. Yes.

12707. *Q*. You say that you have started an entirely new process, the first of the kind in the world?

A. That is right.

12708. *Q*. So far, your enterprise is meeting with a reasonable amount of success.

A. Yes.

12709. *Q*. If that is so, why do you want a tariff Protection of 25 per cent.?

A. When I say that it is meeting with success it is meeting with success as far as the good quality of the pulp goes. Commercially we have just started and we recognise that the costs of extracting bamboos from the forests for the purpose of making pulp have gone up considerably higher than we expected. At the same time the cost of imported pulp has dropped a great deal below what it used to be. The present price of pulp in Calcutta would not leave us any profit on the manufacture of pulp by our Company.

12710. *Q*. Where is your factory?

A. In Naihati, 25 miles from Calcutta.

12711. *Q*. Your market is Calcutta?

A. Not necessarily. Calcutta of course, is the nearest market.

12712. *Q*. You have to put your manufactured paper pulp on to the Calcutta market in competition with the imported material?

A. Yes.

12713. *Q*. You have to pay the transport charges and your staff in Calcutta?

A. Yes.

12714. *Q*. You say that at present in spite of the substantial decline in the prices of imported pulp, you are still able just to run without loss?

A. That is what we estimate. We have not manufactured on a commercial scale. We have proved that the process is satisfactory and we have manufactured several hundred tons of pulp. We are now making a few alterations to our plant and we expect to start almost immediately producing pulp on a commercial scale.

12715. *Q*. If that is so, why do you desire without having fully tested your capacity and the natural advantages which you enjoy in the manufacture of pulp, a protective tariff of 25 per cent.?

A. We have tested the process thoroughly and our estimate shows that the cost of producing pulp here would be higher than the lowest figure to which the imported pulp has gone recently.

12716. *Q*. Don't you think that the recent conditions are abnormal and that there is a trade slump throughout the world?

A. It seems to be so.

12717. *Q*. I really want to find out on what basis you would justify your demand for such a high tariff. Can you give adequate justification for imposing such a heavy protective duty?

A. Well, if there is to be a duty on other materials, we consider that we should also be protected.

12718. *Q*. What other materials?

A. Well, paper is one.

12719. *Q*. I do not quite follow. There is an import duty on paper, only a revenue duty. It has recently been suggested that it should be raised. If it was raised, surely it would help your industry, would it not?

A. Not unless a duty on pulp is imposed. The paper manufacturers would import pulp as they do now to make paper.

12720. *Q*. Supposing the present revenue tariff basis is continued and no protective duty is sanctioned in favour of paper manufacturers, would you still desire to have 95 per cent. duty to protect your industry?

A. Yes.

12721. *Q*. How would you justify it?

A. Since the imported pulp can be landed here cheaper than we can make it.

12722. *Q*. When you started you ought to have calculated the cost of extraction?

A. The charges were not then so high.

12723. *Q*. There is a miscalculation evidently?

A. The wages and railway freights have gone up. We have to bring our bamboo from a considerable distance, where only the best qualities of bamboo can be had.

12724. *Q*. These are ordinary circumstances, *viz*., rise in cost of labour and transport. Surely these would hardly justify such a high duty as 25 per cent.?

A. Well, we are basing our 25 per cent. on the actual cost of imported pulp.

12725. *Q*. As at present priced?

A. Yes.

12726. *Sir Maneckjee Dadabhoy*.—*Q*. I understand that your primary protest is against the free imports of raw materials used in the manufacture of paper?

A. No. My primary protest is that pulp should be treated as a raw material which it is not. It is a manufactured material.

12727. *Q*. Your industry is now in an experimental stage?

A. It has just passed the experimental stage. We have finished experimenting and are ready to start.

12728. *Q*. How many companies have been started in India for manufacturing pulp?

A. I do not know.

12729. *Q*. You admit that your industry is in the experimental stage?

A. I do not admit that. We have made successfully pulp which has been made into paper.

12730. *Q*. Have you sufficient information to ask for this heavy protection such as you are demanding?

A. Yes, all our difficulties are greater now than they will be later. We want encouragement from Government.

12731. *Q*. Is it a joint stock company?

A. It is a private company.

12732. *Q*. For how many years do you want this Protection? When do you think you will be able to stand on your own legs?

A. It is a difficult question to answer.

12733. *Q*. If you come and ask us to give you 25% duty, is it not necessary that you should put before us some definite statements showing the period during which such protection would be necessary to keep the industry going? We must be satisfied that by giving you a reasonable Protection we should put this industry on a firm basis. Unless we have got that sort of information, how can we possibly recommend such a high duty?

A. Say, seven years then.

12734. *Mr. Mant*.—*Q*. Where do you get your supplies of bamboo from?

A. From Chittagong.

12735. *Q*. Have you ample supplies inside the forest?

A. Yes.

12736. *Q*. You say you use whenever possible chemicals produced in India?

A. Yes.

12737. *Q*. You also have to use imported chemicals?

A. We have to import sulphur, as no good sulphur has been found in India.

12738. *Q*. Imported sulphur is subject to 11% duty?

A. Yes.

12739. *Q*. Are you going to make your own paper?

A. We have a paper plant and we can make some paper, but our primary purpose is to make pulp. If we have a surplus we may make that into paper.

12740. *Q*. Where is your market?

A. Our idea is to try and sell our product in India but if we cannot, we shall have to seek a market outside.

12741. *Q*. Can you give me an idea as to the price at which you can supply your bamboo pulp?

A. It would be only an estimate. I think without making any definite statement I may say that to start with it would cost about Rs. 350 a ton.

12742. *Q*. Do you know the cost of producing pulp from the various grasses that are used for manufacturing it?

A. I do not know.

12743. *Q*. What I want to get at is how the cost of your pulp would compare with the cost of pulp made in India from other sources?

A. We do not know their processes.

12744. *Q*. You hope to be able to compete with the other pulp?

A. Yes, we also hope to be able to manufacture a better quality of pulp, in comparison with the grass pulp.

It will be stronger and at the same time superior in quality.

12745. *Mr. Rhodes.*—*Q.* The paper industry has attempted to make out a case for protection. If we protect pulp, we must protect the paper manufacturers?

A. Yes.

12746. *Q.* Then we had the Master Printers' Association coming to us this morning. They don't want any duty. We have the pulp manufacturer, the paper manufacturer and the printer. How are we to reconcile these three interests?

A. If there is a tariff on paper, there must be a tariff also on pulp.

12747. *Q.* I can quite see that the pulp manufacturer might be protected and over him the paper manufacturer, but I cannot see how it would be possible to protect the printer above that?

A. No, but what interests us is that if the imported pulp goes up in price, it could not compete with the Indian made.

12748. *Q.* The effect of the duty is to raise the price temporarily anyhow?

A. Yes.

12749. *Mr. Coyajee.*—*Q.* Your view is that the advantages of bamboo pulp are such that if it gets a fair start, it would ultimately displace the other raw materials?

A. We hope so.

12750. *Q.* You have recommended that the duty should be raised to 25 per cent for giving this initial benefit to your industry. Have you any calculations on which you have based this particular figure?

A. That is about the difference between the cost of imported pulp and what we think it will cost us to start with.

12751. *Q.* If you had this Protection the cost would fall later?

A. Yes.

12752. *Q.* With such advantages, it ought to?

A. Yes.

12753. *Q.* Your difficulty is only temporary and in a few years you must be better off?

A. Yes, in five years, perhaps.

12754. *Q.* I want to ask you whether any concessions in the matter of getting bamboo from forests would be as acceptable as a big duty like this. Would they help you as much?

A. We have got a concession already from the Government of Bengal.

12755. *Q.* Are the terms favourable?

A. They are not very favourable unless we manufacture on a much larger scale than at present. At present we have to pay a minimum lump sum to the Government of Bengal in the shape of royalty.

12756. *Q.* Would you kindly enlighten us as to what proportion the royalty bears to the total cost?

A. I think about Rs. 10 a ton, on the initial capacity of the plant.

12757. *Q.* Do you think that the present cheap importation of wood pulp is in the nature of a temporary dumping or is it going to last a fairly good number of years?

A. The very low prices that have been prevailing are undoubtedly due to dumping, but I am not qualified to say at what price they will be able to import in future.

12758. *Mr. Narottam Morarjee.*—How do you get your bamboos from the forest, by river or by train?

A. It is a long process they are floated down small streams to the main rivers; then they are made up into rafts and floated down to Chittagong, where they are taken out of the river, baled and shipped by railway.

12759. *Q.* What is your annual output?

A. The plant as at present arranged will turn out 6,000 to 7,000 tons per year.

12760. *Q.* Do you think you will be able to compete with Norwegian and Swedish pulp?

A. Yes, in quality the price depends upon the cost of getting the bamboo down.

12761. *Q.* You can make good paper out of the bamboo pulp?

A. Excellent paper has been made in Great Britain out of our pulp.

12762. *Q.* What kinds?

A. We can make the finest note paper and practically all grades of paper.

12763. *Q.* How many years would it take to put your factory into full working?

A. We expect to be working in May.

12764. *Sir Edgar Holberton.*—*Q.* How long ago was it decided to start this Industry?

A. Early in 1919, I believe. I was not out here then.

12765. *Q.* All the factors of the business have, of course, been carefully considered?

A. Yes.

12766. *Q.* And it was decided to be a valuable form of investment to take up?

A. Yes.

12767. *Q.* I would suggest that since that time there has really been only one factor which has come to upset your plans and that is the possibility of an import duty on paper?

A. No. The thing that has upset our plans is the cost. The estimate was made by experts, but it has been exceeded.

12768. *Q.* If the conditions then remained fiscally as they are at present with reference to paper, would you still require protection?

A. I do not deny that a protective duty on paper would affect us.

12769. *Q.* You have no fear of being ruined if the duties remained as they are at present?

A. I do not think so.

12770. *Q.* But you probably would have a difficult time to start with?

A. Yes, because our costs are higher than we expected.

12771. *Q.* But you have some expectation of getting through?

A. Yes.

Witness No. 88.

Messrs. A. V. JOSEPH & CO., Saw Millers, Timber Merchants and Shipbuilders, 12, Phayre Street, Rangoon.

Written statement, dated the 6th December 1921.

12772. *Q.* 43. Yes, in timber, as timber merchants, Saw millowners as contractors for the supply of sleepers to Indian Railways and as exporters of timber to other ports of India and to Europe.

12773. *Q.* 44. Yes, Forests, labour available, sea and river communications, elephants.

12774. *Q.* 45. It is of substantial importance to the economic prosperity of India.

12775. *Q.* 46. The organisation and equipment of the industry in India is not up to the level in other countries.

12776. *Q.* 47. Almost the whole world's markets.

12777. *Q.* 48. (*a*) In the Indian market with timber from Australia, Canada, America, Java and Siam.

(*b*) In the Foreign markets, with the timber from America, Canada, Norway, and Russia. Competition on Teak only with Siam, Java. Timber competing from other countries is mostly of inferior classes.

12778. *Q.* 49. In the way of sleepers for railways, our competitors are able to supply them creosoted. Inferior timber so treated fetches about Rs. 22 where we can supply better class of sleeper but not creosoted at Rs. 12. The railway companies prefer the former though we do believe that ours are better.

12779. *Q.* 50. No. Protection is wanted.

12780. *Q.* 51. *Nil.*

12781. *Q.* 52. Yes, we don't suggest a remedy.

We append a statement.

12782. *Q.* 70. We intend importing creosote and Liquid fuel for the purpose of treating sleepers from America.

12783. *Q.* 71. The duty on Liquid fuel is 7½ per cent. if the fuel is used for its legitimate use, if used

as a wood preservative 0-1-6 per gallon is charged extra. We would ask that no duty be charged on both these items, as they are being used for a new industry. To get a footing the prepared article must be sold at a low figure to prevent competition.

STATEMENT.

12784. *Q.* We are in the timber business during the last 27 years. We have 3 mills for converting timber. We are the pioneers in the introduction of all classes of timber other than teak into the markets in India and Europe, especially in respect of the supply of sleepers to the Indian railways.

As regards sleepers, much inferior kinds of timber were allowed to be imported untreated. The Indian railways are not prepared to accept our sleepers of certain kinds as inferior, but they are not inferior to those untreated sleepers supplied by our foreign competitors.

As regards creosoting in 1921, the Railway Board asked whether we could supply creosoted sleepers. We said at that time we were not able to do so. When our contractors for the supply of sleepers increased, the railway and forest officers in rejecting some classes of our sleepers, told us that they would accept them if they were creosoted, and that there was a vast future for such enterprise. We accordingly erected a plant started creosoting on the open tank system, we undertook to supply these creosoted sleepers at Rs. 12-8 each, whereas America sold them in India at Rs. 22 each. Yet we were told that our price was higher than the price of better class of sleepers available in the country. Our contention is that better class of timber for conversion into sleepers is not available in sufficient quantity. Moreover, they willingly pay Rs. 22 for still inferior timber from America. In the way of encouragement from Government, we were not given concessions which have been given to men who have not been so forward in improving the industry, and we were refused forests while we had every reason to hope from previous correspondence that we are sure to get. In one instance when we applied for the lease of the forests, Government told us that we would be granted the forest if we would extract all the varieties of timber therein. No such condition had been made in any other case at that time, and we had a market for but a few of those varieties. So we could not accept it. Eventually we established a market for all these varieties. When we have done so, and asked that the forest may now be given to us without calling for a tender, Government refused. So neither can we get forests to get timber to be treated, nor orders for the supply of the creosoted article. Under such circumstances this industry newly started after expenditure of a large sum of money may die out for want of assistance.

Mr. A. V. JOSEPH, of Messrs. S. A. V. JOSEPH & Co., Rangoon.

Oral evidence, dated Rangoon, the 24th January 1922.

12785. *President.*—*Q.* You are the sole proprietor of the firm of Messrs. A. V. Joseph & Co.?

A. Yes.

12786. *Q.* You are saw millers, timber merchants and shipbuilders?

A. We are not building ships now.

12787. *Q.* You are interested in timber as timber merchants, saw mill owners, as contractors for the supply of sleepers to Indian railways and as exporters of timber to other parts of India and to Europe?

A. Yes.

12788. *Q.* And you have to meet in the Indian market competition from Australia, Canada America, Java and Siam?

A. Yes.

12789. *Q.* And you also export timber from Burma to foreign markets?

A. Yes.

12790. *Q.* And you meet in foreign markets competition from America, Canada, Norway and Russia?

A. Yes.

12791. *Q.* And you say that the railways purchase creosoted sleepers made of inferior timber at considerably higher rates than your timber which is of a better class and which is not creosoted?

A. Yes.

12792. *Q.* And you seem to be making a grievance of it. But is not the creosoted timber far more durable for railway purposes than the better class of your timber which has not undergone that process?

A. I do not think they are better.

12793. *Q.* Then, how do you account for the fact that the railways pay Rs. 22 for the one and not even Rs. 12-8-0 for the other?

A. We have learnt this from a reliable source.

12794. *Q.* You put that forward as a fact based on reliable information?

A. Yes.

12795. *Q.* But how do you account for the fact that the railways pay 80 per cent. more for inferior timber than for your superior timber?

A. They have paid the higher price.

12796. *Q.* Will you please explain why?

A. The explanation is that they prefer importing foreign goods.

12797. *Q.* Surely there must be some grounds for such preference. They are not going to throw money away?

A. Although I cannot prove my statement by documentary evidence, I have strong reasons for believing that they are true.

12798. *Q.* But could not the reason be that the foreign creosoted timber is worth more to the railways than your better class of timber?

A. Burma timber is far better than the foreign creosoted timber. Yet they paid Rs. 22. This particular instance is a fact. Any local railway authority can, if he likes, prove that it is not a fact.

12799. *Q.* Assuming the fact as stated by you to be correct, the stuff must be worth for railway purposes the value that the railways are prepared to pay for it.

A. Quite so.

12800. *Q.* Then what is your grievance?

A. My grievance is that for some reason or other they are not in favour of encouraging local manufactures.

12801. *Q.* You are establishing a plant for creosoting local timber?

A. Yes.

12802. *Q.* And for the purpose of that industry you propose to import creosote and liquid fuel from America?

A. From America and from England.

12803. *Q.* You say "The duty on liquid fuel is 7½ per cent. if the fuel is used for its legitimate use: if used as a wood preservative Rs. 0-1-6 per gallon is charged extra." What do you mean by "legitimate use?"

A. I believe that oil fuel imported from other countries if used for fuel purposes is charged only 7½ per cent. duty, but if we use it for treating timber an extra duty of 0-1-6 per gallon is charged.

12804. *Q.* In order to make your industry for creosoting Burma timber a success you say that no duty should be charged on liquid fuel and creosote.

A. Yes.

12805. *Q.* What prospects are there of your industry proving a success and expanding?

A. Well, there are hundreds of industries successfully working in America and England.

12806. *Q.* Of creosoting timber?

A. Yes.

12807. *Q.* What is the effect of creosoting timber? Does it prolong the life of the timber?

A. Yes.

12808. *Q.* And make it more durable?

A. Some of the experts say that it doubles the ordinary life of timber.

12809. *Q.* That explains why the higher prices are paid.

A. No. The pine timber which is imported into India is no good at all if it is not creosoted. It will

last only one or two years, if it is not creosoted. Therefore it is absolutely necessary that it should be creosoted before it is imported.

12810. *Q.* Could you not successfully compete in the Indian and Burmese markets with foreign goods, without this concession which you ask for, and successfully establish your industry?

A. Well, at the present moment we may be able to compete, but later on the foreign exporters may reduce their price.

12811. *Q.* At present you may be able to do it?

A. Yes, but the moment we set up our industry, the foreign exporters may reduce their price.

12812. *Q.* If you get an assurance that if undue competition is brought to bear on your industry Government will give you tariff protection, then will you be able to set up your industry?

A. Yes.

12813. *Sir Edgar Holberton.*—*Q.* Mr. Joseph, I want to clear up the position with regard to these sleepers. Is it not the case that while there are good woods in Burma like "*pyinkado*" which can be used for sleepers without preparation, there are a very large number of other woods which are not good enough to be used without preparation?

A. Yes.

12814. *Q.* And your idea in buying this creosote plant is to make use of these woods for sleeper purposes?

A. Yes.

12815. *Q.* And you were partly induced to take that line by the fact that you have got a forest in which you have got to work all the trees off?

A. Partly for that reason, but on the other hand that is my line of business.

12816. *Q.* But up-to-date the sleeper business of Burma has been in the class of wood which can be used for sleepers without preparation?

A. Yes.

12817. *Q.* Are you finding difficulty in getting that wood for all your sleepers?

A. Pyinkado is not available in large quantities.

12818. *Q.* When you say the railways have turned down your quotation of Rs. 12-8-0 in favour of another quotation of Rs. 22, were you able to give delivery to the railways?

A. I did not undertake to supply *pyinkado*, but creosoted sleepers only.

12819. *Q.* What supply could you give them?

A. We could give 5 lakhs of sleepers a year.

12820. *Q.* Have you got the plant to produce that?

A. Yes. I shall be very pleased if the Commission will examine that.

12821. *Q.* How many lakhs have you turned out?

A. I have not turned out any, because I have not got any order.

12822. *Q.* You want the railways to back up an industry that has not actually come to the stage of production?

A. It is not a new industry. They are buying from other countries.

12823. *Q.* But have you actually produced any?

A. How can I produce any without getting orders?

12824. *Q.* You must produce some and give samples.

A. They have experimented on the wood for several years.

12825. *Q.* As a business man would you place orders for a large quantity of a material the quality of which you have had no opportunity of testing? There is no question that creosoted sleepers could be used. But my point is that you have not so far proved to the world that your plant can produce them in numbers.

A. The Government have spent lakhs and lakhs of rupees over the experiment for a number of years and it has been proved a success. I cannot spend individually many lakhs without an assurance that I can sell my sleepers.

12826. *Q.* Could you not manufacture a few thousand sleepers and send them to the railways as samples?

A. Yes.

12827. *Q.* We are dealing with the tariff question and we cannot go into industrial matters. But it did appear to me that you were making a complaint before giving the railways an opportunity to test your material.

A. I do not want to make a complaint. I have started an entirely new business in Burma, but they have blocked my regular business because I have started this industry.

12828. *Q.* Who have blocked your business?

A. The railways.

12829. *Q.* In what way?

A. They refuse to pass my existing contract.

12830. *Q.* Because you happened to start this business?

A. Yes.

12831. *Q.* Of course that is a matter which you must represent to the Local Government. I do not think the Commission can deal with that.

What you want really is protection for this industry if it ever comes to a producing stage?

A. Yes.

12832. *Q.* And the protection you would advocate is that you should get the materials for preparing your sleepers cheap? You want your creosote imported free?

A. I want free import of creosote: I also want five years monopoly for treated sleepers in Burma.

12833. *Q.* That I think is entirely outside the scope of this Commission. I do not know what the President's ruling may be on that point. But what is the exact fiscal help which you require from us?

A. I am afraid that if I were to establish my industry successfully, foreign exporters would reduce their prices and undersell me. In that case I may not be able to sell my goods.

12834. *Q.* And therefore you would have us legislate against that?

A. I propose that some sort of duty should be charged on this imported timber.

12835. *Q.* Would you advocate an import duty on foreign sleepers?

A. Yes.

12836. *Q.* Have you thought out how much that would be?

A. I would roughly say 20 to 25 per cent.

12837. *Q.* Do you think that in that way the railways would be enabled to get your sleepers cheaper?

A. It would help the local industry.

12838. *Q.* I grant you that point, but there are other aspects of the situation to be considered, and we have to look at the matter from all sides. This 25 per cent. duty would help the local industry, but would it enable the railways to get their sleepers cheap?

A. My contention is that even now they are not getting their supplies cheap: they are paying high rates.

12839. *Q.* Could you supply them cheaper than the foreign suppliers?

A. Yes: at present I can.

12840. *Q.* Then why do you want protection?

A. Because, later on, when my industry is in a flourishing state, they may sell cheaper than myself. I have got only one plant, but they have hundreds.

12841. *Q.* If you can produce cheaper in what way can protection help you?

A. At present they are charging high prices, but later on they will reduce their prices. Take the case of the sugar industry.

12842. *Q.* You want an assurance of future protection?

A. Yes.

12843. *Q.* You say you can provide the railways with a good quality of creosoted sleeper cheaper than they can get it abroad?

A. Yes.

12844. *Q.* But don't you think it is possible that the railways have not considered your quotation seriously because you have not yet arrived at the productive stage?

A. They have not told us that. When I had not started the plant they were anxious that I should start it, but when I have really started and am at the working stage they do not want to take my sleepers.

12845. *Q.* Is it the Burma railways or the Indian railways which rejected your tenders?

A. Indian railways.

12846. *Q.* They have refused your tenders?

A. Yes.

12847. *Q.* As far as this Commission is concerned, you want a protection of 20 to 25 per cent. duty on imports?

A. Yes.

12848. *Q.* Do you want anything else?

A. I ask that for five years no contract should be given to any one else for treated sleepers in Burma. I am a pioneer in this industry.

12849. *Q.* And you want free import of creosote and liquid fuel?

A. Yes.

12850. *Q.* These are the three things that you actually want?

A. Yes.

12851. *Q.* And you do not think that the railways will be really placing themselves in one person's hands?

A. I want only a monopoly for 5 per cent. of the railway requirements.

12852. *Q.* But for five years you want to prevent the import of creosoted sleepers?

A. No: not that. I want the railways not to place an order with any other person in Burma for five years.

12853. *Q.* You mean you want a monopoly over local manufacturers for five years?

A. Yes.

12854. *Q.* You do not mind if they buy their additional requirements from other markets?

A. No.

12855. *Q.* You are not building ships at present?

A. We are not building ships now.

12856. *Q.* Do you ask the Commission to give you any help for the shipbuilding industry?

A. I will be only too glad if the Commission will in any way help me. My request at present is for protection to my existing ships.

12857. *Q.* I very much doubt whether it is within our scope. Is there at present any existing shipbuilding industry?

A. No.

12858. *Q.* You want some of the ships that you built during the war to be protected?

A. Yes.

12859. *Mr. Narottam Morarjee.*—*Q.* What is the quantity of creosote that you require for your sleepers?

A. About 80 per cent. liquid fuel and 20 per cent. creosote.

12860. *Q.* Do you think that the railways can do without foreign sleepers?

A. Untreated sleepers? Is that what you mean? Undoubtedly they can.

12861. *Q.* Then, why do they want treated sleepers?

A. Because the foreign sleepers, if they are not treated, cannot last for more than 2 or 3 years.

12862. *Q.* Have you got good woods in India in sufficient quantity?

A. There are good woods, but not in sufficient quantity.

12863. *Q.* Then are you in a position to supply 5 lakhs of creosoted sleepers or more than that?

A. We are in a position to supply even more than 5 lakhs.

12864. *Sir Montagu Webb.*—*Q.* I understand, Mr. Joseph, that you are in favour of a policy of protection so far as your particular industry is concerned? I mean your sleeper industries.

A. Yes.

12865. *Q.* And I understand that the protection you ask for is 25 per cent. *ad valorem*?

A. Yes.

12866. *Q.* On sleepers only?

A. I said sleepers and other timber.

12867. *Q.* And also you are asking that liquid fuel should come in at a lower rate of duty than at present?

A. Yes.

12868. *Q.* In answer to Question No. 46 you say: "The organisation and equipment of the industry in India is not up to the level of that of other countries."

A. Yes.

12869. *Q.* Where is it deficient?

A. The mills in America and other places are of far better type.

12870. *Q.* In what way better? You mean they can cut up timber more quickly or more economically?

A. I believe so.

12871. *Q.* And if you were to receive this amount of protection, how long would it be before you would be able to supply creosoted sleepers at a lower rate than foreign competitors can supply? Could you compete with them from the very first?

A. Yes.

12872. *Q.* By the aid of 25 per cent. import duty, you could overcome foreign competition now?

A. Yes.

12873. *Q.* The creosoting process, I understand, is only required for the softer woods which the white ants are likely to eat.

A. Creosoting is required for the softer as well as for certain hard woods.

12874. *Q.* Why are the sleepers creosoted? It is to preserve them against what?

A. It is to give them longer life.

12875. *Q.* But is that only because of white ants or for other reasons also?

A. Mainly white ants, and other reasons also.

12876. *Q.* Then protection is really required for cheaper and softer kinds of wood. It is not necessary to creosote hard woods. I have never heard of hard woods being creosoted.

A. An expert who examined these hard woods gave his opinion that certain kinds of hard wood were also suitable for creosoting.

12877. *Q.* Have any Australian timbers been imported creosoted?

A. I am not aware of treated wood being imported.

12878. *Q.* In fact I have heard that Australian *jarrah* sleepers have been eaten by white ants before now.

A. Yes.

12879. *Mr. Coyajee.*—*Q.* Mr. Joseph, you can already at present undercut the dealers in foreign sleepers by about Rs. 9-8-0, and all that you require is a sort of assured market?

A. Yes.

12880. *Q.* Then, on what basis have you calculated the import duty of 25 per cent. which you are demanding?

A. That is only a rough figure.

12881. *Q.* You only want some sort of advantage: it might be 10 per cent. or 20 per cent. You do not attach any great value to the exact amount?

A. No.

12882. *Q.* In the second place why do you desire a 25 per cent. duty not only on sleepers, but on all timbers that are imported?

A. Because I understand that timbers are coming from Penang, and Singapore and other places to India. If we have got a tariff, we could produce a large quantity.

12883. *Q.* So you are claiming protection not only for sleepers but also for any other construction work which you can carry on with the help of Burma timber?

A. Yes.

12884. *Mr. Mant.*—*Q.* You refer to the duty on liquid fuel used for treating sleepers?

A. Yes.

12885. *Q.* Can you tell me the value of an imperial gallon of liquid fuel?

A. At present they charge six annas per gallon.

12886. *Q.* I wanted to find out what percentage the specific duty of 0-1-6 per gallon bears to the actual value per gallon.

A. A fairly large percentage.

12887. *Mr. Jamnadas Dwarkadas.*—*Q.* When Mr. Coyajee asked you whether you were keen on 25 per cent. duty, you mentioned that you simply wanted to get some advantage over foreign timber and that you did not attach any great value to the exact amount. Now, may I ask you how this 25 per cent. duty, if imposed, will help you?

A. It will help in this way. The foreign markets are better placed than ourselves, and generally they cut down their prices. We are therefore at a disadvantage.

12888. *Q.* You say that your price for sleepers was Rs. 12-8-0 against Rs. 22 in America and that notwithstanding this fact the American supply was preferred to yours?

A. Yes.

12889. *Q.* Between Rs. 12-8 and 22 there is a vast difference?

A. 80 per cent.

12890. *Q.* Is this 25 per cent. going to help you?

A. No. They said that America was prepared to supply for Rs. 14.

12891. *Q.* Then your figure 22 is not quite correct?

A. That is quite correct. On one shipment worth 25 lakhs, the Government paid about Rs. 22 a piece. When we said that we could manufacture sleepers here and supply them at Rs. 12-8, they said that they would go into the matter. And three months afterwards the American price came down to Rs. 14.

12892. *Q.* They will always compete with you and bring down the price?

A. Yes.

12893. *Q.* I really cannot understand this. You say that timber was imported from America.

A. Yes.

12894. *Q.* And even though your price was Rs. 12-8, Rs. 22 were actually paid?

A. Yes.

12895. *Q.* For American timber?

A. Yes.

12896. *Q.* I cannot understand what can have been the object.

A. The reason was that we had not sleepers ready to supply them. We said we were going to erect a plant and that we would supply them with sleepers at Rs. 12-8.

12897. *Q.* Do you want 25 per cent. import duty *plus* a monopoly for five years?

A. Yes, for Burma.

12898. *Q.* You think that is a fair demand?

A. I think it is reasonable, if you want to encourage the new industry in India.

12899. *Q.* Are you interested in shipbuilding?

A. Yes.

12900. *Q.* Can you tell the Commission what the prospects of ship-building in Burma are? Have you any experience of it?

A. We have lost many lakhs of rupees in that business. As for the future of ship-building, I am not prepared to say much.

12901. *Q.* You know that only recently the Government of India have undertaken to encourage shipbuilding in India.

A. Yes.

12902. *Q.* Don't you think that will encourage shipbuilding?

A. I think that might. But at present there is no use of building ships.

12903. *Q.* Why?

A. A number of ships built in India and Burma is now unprotected. There is no insurance and so the money invested on ships is not safe.

12904. *Sir Maneckjee Dadabhoy.*—*Q.* You want a duty of 20 to 25 per cent. on all timber imported into the country and also that all materials such as liquid fuel, etc., should be exempted. That is what you want?

A. Yes.

12905. *Q.* In answer to Question No. 50 you say in your written statement that no protection is wanted.

A. Since then I thought over the matter.

12906. *Q.* You are now of opinion that protection is required for your industry?

A. Yes.

12907. *Q.* I understood you to say that if these conditions are granted—you will be able to supply 5 per cent. of the total requirements of the railways.

A. Yes 5 per cent.

12908. *Q.* The remaining 95 per cent. must be imported?

A. No. About 30 to 40 per cent. can be supplied by India. Only about 60 per cent. will have to be imported. I have got an order for the supply every year of some few lakhs of untreated sleepers.

12909. *Q.* That will come up to 5 per cent.?

A. No, more than that. It may come to more than 15 per cent. of the Indian railway requirements.

12910. *Q.* In how many years time can you be self-supporting?

A. That largely depends upon the local Government.

12911. *Q.* Can you give us some idea in how many years you will become self-supporting.

A. It is rather a difficult question. If proper encouragement is given in Burma we may produce a much larger quantity than at present within five years.

12912. *Q.* What quantity of this creosote do you import?

A. We have given an order for about 2,000 gallons.

12913. *Q.* That is the maximum, isn't it?

A. No, that is the minimum.

12914. *Q.* What is the value of the 2,000 gallons?

A. It costs about Rs. 3,500.

12915. *Q.* You want this to be exempted from duty. It is not much after all. I want to understand how this exemption will help you.

A. Creosote is available at a much cheaper rate. Therefore those people are able to produce sleepers at a cheaper rate.

12916. *Q.* Then what about this liquid fuel? How much of it do you import?

A. Liquid fuel is available locally. The B. O. C. promise to supply us.

12917. *Q.* So it comes to this, that you want 25 per cent. on timber only.

A. And 5 years contract.

12918. *Q.* You wish your own industry in Burma to be protected to this extent?

A. Yes.

12919. *Q.* Have you got any other competitors in Burma?

A. None at present.

12920. *Q.* Even in the creosote and timber business?

A. There are many firms dealing in timber.

12921. *Q.* All these companies supply some lakhs of sleepers to the railway companies in India?

A. Yes.

12922. *Q.* Does it pay small companies to supply these? I want to know if they are supplying at a loss.

A. No.

12923. *Q.* Your principal competitors are America, Java and Singapore?

A. At present. As soon as I start this business, I expect local competition.

12924. *Q.* You cannot expect protection against local competition.

A. I ask for protection because I am a pionee .

12925. *Q.* We cannot give protection to you only and refuse it to others in Burma. You want a monopoly, that is that no other persons should be engaged in a similar trade in Burma?

A. Yes, because it is a new industry in Burma.

12926. *Q.* Why should it be given to you and not to others?

A. Because nobody has come forward.

12927. *Q.* How many lakhs of rupees have you put in this business?

A. A few lakhs.

12928. *Q.* What do you want this protection for?

A. I want protection for creosoted timber.

12929. *Q.* You do not want protection for other timber?

A. No.

Witness No. 89.

G. S. HARDY, Esq., I.C.S., Chief Collector of Customs, Burma, Rangoon.

Written statement, dated the 22nd December 1921.

12930. *Q.* 1. Free Trade. No.

12931. *Q.* 2. More suitable. I doubt if the general rate of duty could be increased much beyond 11 per cent. with any advantage to the revenue.

12932. *Q.* 3 and 4. I consider that the principles on which the tariff is already based are broadly speaking the most suitable to Indian conditions. The more uniform the tariff the more easily and equitably can it be administered. In particular I am opposed to making the duty on an article dependent on the purpose to which it is to be put, where this can be avoided. There are but few examples of this in the present tariff, and most are the result of special conditions and it would be unwise, I consider, to add to their number without very cogent reasons. Concessions of this nature are peculiarly liable to

abuse; they necessitate inquisition into industrial accounts, and destroy the finality of the clearance transaction. The number of articles assessed at rates different from the general rate or passed free of duty should I suggest be as small as possible. Where such articles are not capable of very clear and exclusive definition border-line cases are certain to arise, and where the decision is against the importer he is very apt to consider himself hardly treated. Moreover such cases are often difficult to decide, and are apt to be dealt with differently at different ports when they first arise. I might cite as examples that have for years been the subject of dispute between the public and the Customs Department, articles on the border-line between "hardware" and "component parts of machinery" (Articles 53 and 89 of Schedule II to the Tariff Act of 1921).

12933. *Q.* 6. Neither in theory nor in practice. Such duties cannot fairly be imposed, without granting tariff concessions in respect of plant and working stores to the Indian manufacturer, conditional on such plant and stores, being employed in the industry in question. In my reply to queries 3 and 4 I have explained why I am opposed to such concessions. In theory, moreover, though I am not in favour of a deliberately protective tariff, I do not deplore the general protective effect of a substantial revenue tariff.

12934. *Q.* 15. No. I believe it to be the case that most of the Dominions that have taken powers to protect their industries against measures of this kind have very rarely found it necessary to use them. Canada has used her anti-dumping legislation on occasions, but her position is unique among British territories on account of her immediate propinquity to the United States. All the Dominions with legislation of this nature have found it necessary to demand declarations from exporters of a most exhaustive and detailed nature. Failure to produce correct declarations means trouble for importers and the whole system would prove particularly harrassing in India. I do not consider the results likely to accrue from such measures would be sufficiently valuable to outweigh their detrimental effect on genuine trade, coupled with the increased cost of administration they would necessitate.

12935. *Q.* 26. I do not think India has anything to gain by bargaining over tariffs. The greater part of India's exports are admitted into the countries of destination free or at very low rates of duty. The principal exceptions are tea and sacks (but not sacking), and in the former case the duties levied are in no sense protective.

12936. *Q.* 30. Ordinarily export duties should be imposed purely for revenue purposes and should be confined to produce of which India is the sole or principal producer. In such cases the greater part of the burden of the duties will fall on the foreign consumer. But see also my reply to 33 below.

12937. *Q.* 33. I see no objection to a small export duty on foodstuffs, and in years of scarcity I should prefer an increase in the export duty to direct control of export. Exports of foodstuffs from India form a trivial proportion of the total crops, but their effect on prices is out of all proportion to their amount. The 1919 famine showed how vast are the reserve stores of grain which India normally carries, and in a bad year control of export may well lead to hoarding of supplies, against the cessation of control, to an amount exceeding what would have been exported had there been no control. The export duty on rice is too trivial to have affected production or prices. Yet it has produced a substantial revenue. Similar small duties might with advantage be imposed on other food-grains, to be raised to a substantial rate in years of shortage. The normal duties would not affect materially either production or the price that the producer obtained. Enhanced duties in famine years should not diminish production since, despite the duties, there would inevitably be some rise in prices.

12938. *Q.* 35. My answer to both queries is in the negative. For the reasons stated in my reply to query 26 I think India has too little to gain from preference. The administration of a system of preference requires the most troublesome inquisition into the origin of materials used and the location of labour employed in manufacture and also into costs of manufacture, packing and transport and innumerable other details. The trouble this would involve to exporters and importers might well outweigh the advantages of the preference given to the British manufacturer. For an idea of the difficulties involved I would suggest a reference to the proceedings of the Imperial Customs Conference which met in London during February and March of the current year. Australia recently contemplated legislation to enable her to extend her preferential tariff to any country prepared to reciprocate. I do not know whether this proposal has been put into force; if it has, it will complicate the position considerably, particularly if other Dominions follow suit.

Oral evidence, dated Rangoon, the 24th January 1922.

12939. *President.*—*Q.* Mr. Hardy, you are the Chief Collector of Customs, Burma?

A. Yes.

12940. *Q.* In answer to Question No. 1 you say you favour a policy of free trade, and later on you explain that the interest of consumers should out-weigh all other considerations. Is that the reason why you favour free trade? Can you give us any other reasons why you favour a free trade policy?

A. I think that on general grounds it makes for general prosperity rather than anything which introduces friction in the general flow of trade.

12941. *Q.* You think that the policy of free trade conduces to the growth of national wealth?

A. On the whole yes.

12942. *Q.* And therefore you favour a free trade policy?

A. Yes, but I have said later on that I do not deplore the general protective effect of a substantial revenue tariff.

12943. *Q.* You think that national wealth will be promoted by means of free trade?

A. Yes.

12944. *Q.* Can you then explain why most of the civilised countries have adopted a protective policy? If free trade contributes to the growth of national wealth, a protective tariff ought to have a contrary effect?

A. No, I cannot answer that.

12945. *Q.* Can you name any country except Great Britain which has adopted a rigid free trade policy?

A. No important country.

12946. *Q.* Do you think, then, that all those large countries which have adopted a protective policy and have been continuing it for a large number of years are doing so with the effect of diminishing their national wealth.

A. I won't go so far as that.

12947. *Q.* We are told that Great Britain built up her industries under protective tariffs before she adopted free trade. Do you know anything about that?

A. No.

12948. *Q.* If that were so, would you modify your views?

A. Possibly.

12949. *Q.* If free trade is regarded as leading to the growth of national wealth, most of the big countries would readily adopt it and would not continue their protective policy. Would it not be so?

A. It might be difficult to change a policy once it is adopted.

12950. *Q.* England did it. It changed its policy? No answer.

12951. *Q.* In answer to Question No. 15 which asks whether you would grant special protection against foreign goods favoured by such measures as dumping, bounties, subsidies or transport concessions, you say "no," and you continue I believe it to be the case that most of the dominions that have taken powers to protect their industries against measures of this kind have very rarely found it necessary to use them. Do you think that is due to the fact that the powers were there and that the countries which dumped before these powers were taken were afraid of continuing that policy for fear of retaliation? Do you think that the existence of these powers in those countries brought about the result you indicate?

A. Partly perhaps, but not altogether.

12952. *Q.* The existence of the powers must have contributed to the result?

A. It is possible.

12953. *Q.* Do you think that India also should take such powers in order to produce the same effect?

A. I do not think it will be worth her while until it is proved that it will have the same effect.

12954. *Q.* Assuming that it has the same effect, then it is all to her good?

A. No, because there are some disadvantages, at any rate in the way the system has been worked in the Dominions. It involves a great many harassing enquiries from the importers and exporters.

12955. *Q.* You say that the whole system would prove particularly harassing in India. You mean it would be harassing to the Customs officers?

A. No, harassing to the trade.

12956. *Q.* Do you speak as a Customs officer dealing with the existing tariff?

A. I speak as a Customs officer who has had the advantage of discussing this matter with Customs officers from the Dominions.

12957. *Q.* I want to know whether your difficulty was more as an administrative officer than in regard to the fiscal effects of this measure on the trade, commerce and industries of the country.

A. I think the benefit to trade which such measures might give would be more than outweighed by the harassing effect of them.

12958. *Q.* You would view with equanimity the efforts of other countries to destory your local industries by means of bounties, subsidies and other measures. You would do nothing to protect your industries even under those conditions?

A. I would do nothing by way of tariff protection for that purpose.

12959. *Q.* What else would you do? I would draw your attention to the question. The question is "Would you grant special protection?" Your answer is "No." Would you give any other form of protection?

A. I have not considered any other practical measure which might be taken. I dare say there are some.

12960. *Q.* You would in theory agree that under those conditions the State should give protection to local industries?

A. I am not prepared to give a general answer to that question. I think each particular case should be considered on its merits.

12961. *Q.* You adhere to the written answer that you have given?

A. Yes. I have only considered the question from the point of view of the tariff.

12962. *Sir Maneckjee Dadabhoy.*—*Q.* Your main objection to protection, I understand, is because it will have a harassing effect?

A. Yes.

12963. *Q.* In answer to Question No. 2 you say "I doubt if the general rate of duty could be increased much beyond 11 per cent. with any advantage to the revenue." Am I to gather from this that you are in favour of a general duty of 11 per cent.?

A. I am in favour of a general duty within those limits sufficient to raise the revenue which the Government of India may require.

12964. *Q.* Am I to understand that 11 per cent. is your maximum?

A. I think the duty should be at a uniform rate. I would not put it higher than that.

12965. *Q.* The effect of your paragraphs 2 and 3 is that you are advocating a uniform rate of duty?

A. I want it to be as uniform as possible.

12966. *Q.* You think that a uniform duty should be imposed instead of a separate duty for each article?

A. I mean that in the whole tariff there should be as few exceptions as possible to the uniform rate of duty.

12967. *Q.* You say "The number of articles assessed at rates different from the general rate or passed free of duty should I suggest be as small as possible."

A. Yes.

12968. *Q.* You would like to bring them all under one category if possible?

A. Yes.

12969. *Q.* You want to minimise differentiations?

A. Yes. That is my point.

12970. *Q.* You want to do so because you find a number of border-line cases?

A. Yes. There are a certain number of border-line cases. The difficulty of distinguishing between items assessable at 2½ per cent. and those assessable at 11 per cent. cause very frequent complaints. My suggestion would avoid that trouble.

12971. *Q.* At the end of your paragraph 6 you say "In theory, moreover, though I am not in favour of a deliberately protective tariff, I do not deplore the general protective effect of a substantial revenue tariff." You think that this consummation has been achieved by the existing revenue tariff?

A. To a certain extent, though not altogether.

12972. *Q.* I am referring to the tariff which was increased in 1921. Do you think that this consummation that you contemplate has been to a certain extent effected by that system?

A. The existing tariff gives a large number of concessions to particular industries and to particular types of consumers who get their goods either free or at 2½ per cent.

12973. *Q.* You cannot devise any system which would be free from some exceptions?

A. No.

12974. *Q.* The existing policy has been good?

A. Yes.

12975. *Q.* But you would not object to modifying the existing tariff?

A. I would not object to modifying it in the direction of uniformity, to putting a lot of the 2½ per cent. items at 11 per cent.

12976. *Q.* This conclusion of yours would logically lead to a protective tariff. The line of demarcation would be almost negligible.

A. Nominally a protective tariff.

12977. *Q.* Then you modify the views of a free trader to that extent. You are not a rank free trader?

A. No.

12978. *Q.* In your answer to Question No. 33 you say "I see no objection to a small export duty on foodstuffs, and in years of scarcity I should prefer an increase in the export duty to direct control of export." From this I understand that you are against control of any kind.

A. I do not like control of any foodstuffs.

12979. *Q.* You do not see any objection to an export duty on foodstuffs. We have got an export duty on rice. On what other foodstuffs would you recommend a duty?

A. I would recommend a small duty on wheat, and possibly pulses.

12980. *Q.* What percentage of duty would you recommend?

A. About the same rate as is at present put on rice 3 annas a maund.

12981. *Q.* Would that no interfere with prices in any way?

A. It would have a very small effect, less than 1 per cent. The present duty on rice works out at about 1 per cent.

12982. *Q.* In the case of rice it has no effect either on production or on export?

A. I do not think it has any appreciable effect on either.

12983. *Q.* In the same way you would recommend a duty on wheat?

A. Yes.

12984. *Q.* What is the proportion of the exported foodstuffs to the total crops? Have you worked it out?

A. The figures were worked out (as near as they could be worked out) I think in 1919, when I was working in the office of the Foodstuffs Commissioner. My impression is (speaking from memory that we estimated the total production of India to be something between 60 and 100 million tons. It was not less than 60 million and not more than 100 million.

12985. *Q.* You could not come to a more definite conclusion?

A. No.

12986. *Q.* What was the export?

A. About 4 to 4½ million tons.

12987. *Q.* You worked out these figures?

A. I was concerned with the discussions regarding them.

12988. *Q.* Are these figures available to this Commission? We want to try and get these figures.

A. I think you will find a good deal about them in Mr. Innes' report on the foodstuffs operations in 1918.

12989. *Q.* Then you think that the export duty on rice has not had any effect on the production of rice?

A. Not appreciably.

12990. *Q.* What is your meaning when you say that similar small duties might with advantage be imposed on other foodgrains, to be raised to a substantial rate in years of shortage. You mean the staple crops?

A. Yes, those other than rice.

12991. *Mr. Jamnadas Dwarkadas.*—*Q.* Mr. Hardy, you were in Bombay before you became Chief Collector of Customs, Burma, were you not?

A. Yes.

12992. *Q.* You had experience in the Customs Department in Bombay?

A. For a short time in 1914, at the beginning of the war.

12993. *Q.* In 1919 you were in Bombay?

A. I came back as Collector of Customs towards the end of 1919.

12994. *Q.* You would rather have a uniform duty than have distinctions made with regard to the duties on various articles. But you would not go so far as not to exempt any article from duty?

A. There are obviously certain articles in the case of which exceptions must be made.

12995. *Q.* You mean that by adopting your proposal you would avoid a good deal of trouble?

A. Yes, we should avoid a good deal of confusion.

12996. *Q.* By that do you mean that the distinctions made entail an unnecessarily heavy cost on the administration?

A. I am not speaking from the point of view of the administration. I am speaking from the point of view of the trade. I think it causes confusion to the trade, which they would gladly see done away with.

12997. *Q.* You mean to say that it is harassing to the trade?

A. Yes. They do not like it.

12998. *Q.* Do you find any effort on the part of the traders to get their articles exempted?

A. Men frequently complain that someone gets a particular article at 2½ per cent. while they have to pay 11 per cent. for a very similar article.

12999. *Q.* Please illustrate that.

A. We assess apparel at 11 per cent. and silk at 20 per cent. If apparel contains even the smallest piece of silk it is assessed at the higher rate. That means a complete examination of every consignment of apparel. It possibly happens that 90 per cent. are assessed at 11 per cent. The remaining 10 per cent. are assessed at the higher rate simply because some silk is contained in them. Similar distinctions arise in the case of accessories of motor cars and motor lorries, one of which is assessed at 11 per cent. and the other at 20 per cent. Similarly the distinction between component parts of machinery and hardware is a frequent source of dispute.

13000. *Q.* That is with regard to articles in which confusion is possible, like apparel and silk. But take two articles in regard to which there is no confusion possible, for instance iron and steel and cloth. There you would not object to the distinction?

A. No.

13001. *Q.* If the Commission found it necessary to recommend more for steel and iron and less for cloth, that would not confuse you, because those two are quite distinct.

A. No. There would be no confusion.

13002. *Q.* You say " Ordinarily export duties should be imposed for revenue purposes and should be confined to produce of which India is the sole or principal producer. In such cases the greater part of the burden of the duties will fall on the foreign consumer". I think this refers to articles like jute or tea in regard to which India has a monopoly?

A. Yes.

13003. *Q.* Take the case of certain raw materials which is used for manufacturing purposes in India would reduce the cost of the manufactured article to the Indian consumer. Won't you recommend an export duty on such articles?

A. Not if the export trade was in direct competition with similar articles from somewhere else. Take the case of a thing like manganese. Putting an export duty on manganese might kill the export trade altogether. I would not kill the export trade merely in order to give the Indian manufacturer cheaper materials.

13004. *Q.* Take an article which is exported in large quantities to other countries and imported back to India in the shape of a manufactured article. Suppose it is found that it would be more paying to manufacture the article in India. Won't you then recommend an export duty? To take a specific instance, take myrobalans. They are exported in large quantities outside of India and are imported back in large quantities in the form of tannic acid, and so on. The cost of the manufactured article compared to the cost of the raw material is very heavy. Won't you have an export duty on myrobalans in order to enable the manufacturer here to manufacture the raw article?

A. No. I would not, because the total amount of myrobalans exported is an infinitesimal fraction of the total quantity available. No Indian trade could possibly absorb the whole forest output of myrobalans. Such being the case why should not India gain the benefit of selling the surplus outside?

13005. *Q.* Then what is the reason for the industry not having existed in India to any considerable extent?

A. I have not particular views on the point.

13006. *Q.* There is a very interesting point that you make in your answer to Question No. 33. You say that you would prefer to increase the export duty in years of scarcity to direct control of export. We have had evidence in the Punjab from various witnesses on the subject. Almost all of them seemed to prefer control to export duty. Would you mind elaborating your reasons for preferring this?

A. I think in the first place it is much more easily worked. In the second place it is much less liable to abuse than control. It does not interfere, to anything like the extent that control would do, with free transactions between the exporter and his client abroad. If you have control it would be very difficult to carry it out without making it operate unfairly on one individual and to the advantage of another. If you are going to have a system of licenses there is no real fair competition between the different traders. A man who is lucky enough to get licenses has the advantage, and however fairly you try to work out the system of licenses you could never help doing injustice as between one man and another. Further, the export duty places funds in the hands of Government for the relief of famine and tends to lower prices in a way that control does not. We have plenty of evidence to show that control does not always lower prices. Only the other day control of price was removed here and prices did not rise. They fell.

13007. *Q.* From your answer to Question No. 35 it seems to me that you are entirely against Imperial Preference.

A. I do not see any great advantage to India in it.

13008. *Mr. Mant.*—*Q.* Mr. Hardy, you said just now that you had discussions on some of these questions with the representatives of several Dominions?

A. Yes.

13009. *Q.* I understand that you attended a conference in London of Imperial Customs officers. What were the subjects mainly discussed?

A. The principal object of the conference was to arrive at a uniform form of invoice and certificate of origin to suit the requirements of all the Dominions who adopt the same method of valuation for goods and also adopt Imperial Preference. The method of valuation adopted in Canada, Australia, South Africa and New Zealand is based on the market price in the country of production, and for that purpose various costs in the stage of production are required to be included, and there is a great deal of difference in detail between the four Dominions. Some took the cost f.o.b., some f.o.r. and some ex factory. None of them agreed prior to this conference as to which items ought to be included and which ought to be left out. One of the most important objects of the conference was to introduce uniformity in this respect, so that the manufacturers would have to supply similar information irrespective of what part of the British Empire they were sending their goods to. Similarly in the case of Preference. In the majority of cases the complete cost of materials and production does not arise within the country from which they are finally shipped, and the Dominions insisted on certain special percentages of cost in the country from which the goods were shipped. They required certificates of origin on consignments providing for all sorts of details of costs. The requirements for these certificates were different for the different Dominions and they tried to arrive at uniform

certificates. These were practically the only questions that were discussed at the conference. An attempt was made to have the same requirements for each Dominion from exporters in the United Kingdom.

13010. *Q.* Did you form any opinion as to the suitability of that method of valuation for India?

A. I came to the conclusion that it was unsuitable. I notice that the United States of America have recently proposed a method of valuation which is almost exactly the same as we have here.

13011. *Q.* The British manufacturers are making a great outcry against this.

A. I have not seen it. There is however this difference that they only apply it in America in the case of goods for which competitive article are produced in America.

13012. *Q.* You prefer our present system?

A. Yes, very much.

13013. *Q.* You say that you are opposed to making the duty on an article dependent on the purpose for which it is used and that there are a few examples of this in the present tariff. We had one before us just now in the case of liquid fuel. Could you mention any other examples?

A. There were various exemptions arising out of the cotton excise duties in respect of special concessions given to cotton mills. I think they have now been removed. They gave rise to endless discussions at one time.

13014. *Q.* You have not any other in mind except liquid fuel?

A. There are some new ones in connection with motor cars and motor lorries.

13015. *Q.* These involve questions similar to the question what are component parts of machinery.

A. Yes.

13016. *Q.* But they are not exactly the same thing?

A. No, but that is also a thing I should like to see done away with; the definition of component parts. I do not think it appears in any other tariff.

13017. *Q.* The Tea Association have asked us to put component parts of tea chests in a separate schedule.

A. I think the great weakness in the definition is the various interpretations that can be put on "adapted". I think in the past it has been frequently interpreted by Customs as "adaptable", which is not quite the same thing.

13018. *Q.* Can you tell me how you satisfy yourself as to the purpose for which the various articles are used. Take the case of liquid fuel for instance.

A. In Bombay we have a monthly inspection of the importers' books. They submit the accounts and we check them as to the purpose of the article with special rates.

13019. *Q.* You are able to check the actual disposal?

A. Personally, this is the type of thing that I think is undesirable. It is undesirable that we should be required to have access to the firms' books once the goods have left the custom house.

13020. *Q.* Would your object be achieved if a rebate was allowed on it being proved that the article was used for a particular purpose?

A. It would put the onus of proof on the firm.

13021. *Q.* You think that would be a better system?

A. I think that system was adopted in the case of tallow for cotton mills in Bombay. I think they paid the full duty and obtained a rebate afterwards. I think it would be more satisfactory than the other system.

13022. *Q.* But that system has been dropped.

A. The whole concession has been dropped now.

13023. *Q.* With regard to these declarations in answer to Question No. 15, you say that it would be very troublesome to have special tariff measures against bounties. Don't you require declarations at present as to countries of origin?

A. No. The importer declares on his bill of entry what the country of origin is. It does not go farther than that. Those full details of the various stages of production, cost of production, etc., are not given.

13024. *Q.* Such declarations would be necessary if we adopted the system of valuations on foreign cost of production?

A. I think they would.

13025. *Q.* So that is another argument in favour of the present system?

A. I think our present system is good. Our definition is capable of improvement but not in the direction of the definition adopted by the Dominions.

13026. *Q.* We were told by the Collector of Customs in Calcutta that he was strongly in favour of a specific duty wherever possible. Do you share that view?

A. We have a large number of articles in the case of which tariff valuations are fixed, which after all have the same effect. They are virtually specific duties, only subject to adjustment to the ordinary tariff level for the year.

13027. *Q.* You would wish to extend system?

A. I see no objection to that.

13028. *Q.* In your answer to Question No. 33 you say that although the proportion of food crops exported is very small yet their effect on prices is out of all proportion to their amount. I presume therefore that this small export has an equally disproportionate effect in stimulating production.

A. Yes. That was what I meant to convey.

13029. *Q.* It largely stimulates production because it raises the price?

A. Yes.

13030. *Q.* You say that in a bad year control of export may well lead to hoarding. Do you mean the licensing system?

A. Yes.

13031. *Q.* Would not that result follow equally from a higher export duty? If it is imposed for a temporary purpose, would not people hoard up in order to export when the duty is taken off?

A. I am not sure. I don't think that it would lead to so much hoarding. In the case of a control, the man hoards up hoping that the control may be removed at any time and that he will get a very substantial price when this is removed. In the case of an export duty, he can estimate in advance exactly what the effect on prices of the removal of the duty would be, and if he does not think that it is likely to be removed within say two months, he can at once make up his mind as to whether it is worth while to ship at the lower rate rather than wait two months and ship at the higher rate. In the case of control, the price is entirely a speculative one which he cannot foresee and he hoards in order to gamble on the future.

13032. *Q.* It is really more of a gamble then?

A. Yes.

13033. *Q.* By whom would the enhanced duty in bad years be imposed. Would the duty be enhanced by the executive order of Government?

A. I think that you would have to make provision for this in the Tariff Act.

13034. *Q.* The Executive Government would impose the special duty whenever they thought that the supplies were running low.

A. Yes.

13035. *Q.* Do you contemplate very high duties or a sliding scale of duties?

A. Not more than 10 per cent. I should imagine.

13036. *Q.* Would you have a sliding scale?

A. I have not thought about that deeply. This idea first occurred to me in 1919 when there was the question of controlling the export of rice from Burma to India. At that time it struck me that a system of this kind would enable Burma to get the advantage of the higher prices in foreign countries and at the same time enable the Government of India to encourage the import of rice from Burma into India. They could if necessary pay a bounty on export to India out of the profits of the tax.

13037. *Q.* You would have required much more than 10 per cent. then to enable the rice to be sold at a moderate price in India?

A. Yes, it would have required more than 10 per cent. My idea in that year was that they should have an export duty and put a bounty of equivalent value on the export to India which would have made a 10 per cent. duty equal to a 20 per cent. easing of prices in India.

13038. *Mr. Coyajee.*—*Q.* With regard to your interesting scheme of uniform duties do you think that it would be welcomed by the trading community?

A. I think that those who would have to pay higher duties would object.

13039. *Q.* But it would be convenient if once the scheme is drawn up?

A. Yes.

13040. *Q.* Let us consider the scheme with regard to its efficiency from the protectionist point of view. Suppose you put a 11 per cent. duty on raw materials of an industry and also 11 per cent duty on the product of the industry, do you think that there would still be a fair amount of protection?

A. I think so. The whole cost of production would not be represented by the purchase of raw materials. Therefore it would give some protection to the Indian manufacturer.

13041. *Q.* Now as regards the question put to you about dumping: you observe that the Dominions have made very little use of the anti-dumping legislation speaking generally.

A. Yes.

13042. *Q.* You have also read possibly that the revenue derived from the anti-dumping duties in the case of Canada is a thousandth part of the whole income from the customs duties.

A. I have not read that.

13043. *Q.* Also the anti-dumping legislation does not seem to be a very great success, because they are constantly tinkering with it and trying to improve it.

A. I believe that is so.

13044. *Q.* As regards the controversy about specific and *ad valorem* duties don't you thing that the protection given by specific duties is of a fluctuating character and of rather an erratic nature.

A. Yes, I think it is. I would prefer the tariff valuation.

13045. *Q.* How far does the tariff valuation resemble or approximate to specific duties? Are they not indentical?

A. Yes, except to this extent that the tariff valuation may be kept as nearly as possible to the general uniform level of the tariff without requiring a legislative Act every year.

13046. *Q.* You mean that it could be adjusted to the desired form more easily and quicker.

A. Yes.

13047. *Q.* Now there are two views before us on the subject of specific and *ad valorem* duties. The Calcutta expert is of opinion that we should introduce tariff valuation in a great many cases in which we have the *ad valorem* system now. Another expert says "No, we have at present just the elastic system we require, some duties being tariff valuation and specific and others *ad valorem*." What is your view? Should we extend the sphere of duties brought under the tariff valuation procedure?

A. I doubt if one could extend it much further. For that an article has got to be capable of specific valuation. You cannot have a tariff valuation for example on machinery.

13048. *Q.* I will read to you a sentence from Mr. Lloyd's evidence. "It is possible and advisable to extend the specific duty or tariff value system to most varieties of cotton goods, paper and paste board, provisions, rubber goods, cigars, cigarettes, cement and woollen goods which with minor items will represent an additional 40 per cent. of the trade leaving for *ad valorem* assessment less than 35 per cent."

A. Nearly 20 years ago this was considered in connection with cotton piece-goods but the proposal was dropped.

13049. *Q.* It was not adopted, as the difficulties were great.

A. Yes, I believe that was the reason; at my suggestion last year we have adopted a tariff valuation on certain silk piece-goods.

13050. *Q.* Where is the difference between cotton and silk piece-goods? Is the variety less in the latter case?

A. I should think so. The chief difficulty was to obtain reliable information as to the cost in respect of the goods coming from the East. We have not many officers capable of deciphering Chinese accounts and the documents are not in a form which it is easy to decipher.

13051. *Q.* Do you think that the tariff valuation system might be extended to cotton piece-goods?

A. To some of them it might be extended but I won't say for certain without further investigation. I have not considered the matter recently.

13052. *Q.* Do you think that countries with depreciated currencies are carrying on at present unfair competition to any large and tangible extent in this country?

A. No. The imports from Germany into Burma in the last 9 months only amount to Rs. 23 lakhs as against Rs. 59 lakhs in the previous 12 months. I don't think that that can be regarded as anything appreciable.

13053. *Q.* We got a statement from a gentleman in the chemical trade in Calcutta. He said that although Germany seemed to have an advantage in the fact of its depreciated currency, it did not suit it to avail itself of the advantage in India and it always tried the other game of quoting prices in sterling.

A. Yes. I have been given to understand that the German Government have actually laid down that exporters shall not quote in marks and I believe sterling prices have even been raised, as the mark has gone down, in many cases.

13054. *Q.* That being so, the danger of unfair competition from the depreciation of the German currency is not a tangible thing.

A. No, not at present.

13055. *Q.* As regards export duties we are told by a customs expert that they should be avoided as far as possible because they have a special disturbing action on trade operations. I will read to you his remark. Apart from these general considerations, he says, it must be remembered that export duties are likely to be a serious hindrance to the mechanism of the export trade. A delay of a few days in the assessment and collection of import duties does not matter very much, as the goods can be discharged from the importing vessel as soon as it arrives, but a similar delay in the case of export of goods may mean that the exporting vessel is either held up in port earning no money or has to sail part loaded, and any delay in shipping must render the ports in which it occurs unpopular and lead to higher freights. Do you agree to that?

A. I agree, but I think that it depends largely on the nature of the article on which the duty is levied. In the case of rice, I don't think that it is a serious hindrance to the trade. On the other hand in the case of hides, it is probably more serious.

13056. *Sir Montagu Webb.*—*Q.* You have not answered in your written evidence our Question No. 78. Do you approve of the system of *ad valorem* customs duties, or would you prefer that the duty should be specific? We may take it that there are three forms of duties, *ad valorem*, tariff valuation and specific. I should like to get from your experience which you think is the most suitable from Government's point of view?

A. Specific duty, I think is the easiest to collect and gives rise to the least discussion.

13057. *Q.* Would you as a Customs Officer advocate specific duties?

A. From the Customs point of view there is no real difference between specific duties and tariff valuation.

13058. *Q.* Leaving out the question of convenience to the public, as a Customs Officer, which form of duty would you advocate? In the case of tariff valuations you have to recalculate the valuations every year. That must give you and Government a certain amount of trouble. Does that fact not make specific duties the better from a Customs Officer's point of view?

A. We don't object to making the annual calculations. From our point of view it does not matter whether it is tariff valuation or specific duty. There are many articles on which it would be clearly impossible to impose either.

13059. *Mr. Narottam Morarjee.*—*Q.* You said that in the last 9 months the imports from Germany amounted to Rs. 23 lakhs.

A. Yes.

13060. *Q.* What do they generally consist of?

A. I can give you the principal items:—

Rice machinery nearly 4 lakhs as against 10 lakhs last year.
Beer about a lakh as against 2½ lakhs last year.
Wire netting, Rs. 80,000.
Salt one lakh as against Rs. 10 lakhs last year.
Woollen yarn, Rs. 75,000.
Hardware, Rs. 75,000.
Brass, Rs. 50,000.
Metal lamps, Rs. 50,000.
Tools, Rs. 50,000.

13061. *Q.* In reply to Question No. 33, you say that the 1919 famine showed how vast are the reserve

stores of grain which India normally carries. If that be the case, how is it that certain Presidencies have to import grain from other provinces?

A. I am speaking of India as a whole. In 1919 there was a much more general shortage of rain and of crops than had been the case for a great many years and yet there was very little actual starvation. The estimate was, if I remember rightly, that we were 30 million tons short of a normal crop, and yet we were certainly not 30 million tons short of the food requirements of the country.

13062. *Q.* Did not many people die of starvation?

A. No, not to my knowledge.

13063. *Q.* I know that many people died of starvation.

A. Possibly.

13064. *Q.* During years of famine, would you impose an export duty on foodstuffs?

A. Yes, I have said that I am in favour of it.

13065. *Sir Edgar Holberton.*—*Q.* You say that you see no objection to a small export duty on foodstuffs. Do you mean permanent duties?

A. Small permanent duties.

13066. *Q.* Are they for revenue purposes?

A. Yes.

13067. *Q.* What is the object of these duties, purely revenue purposes or any other?

A. I had in my mind this idea of a kind of famine insurance. The existence of a small duty which might be raised in cases of emergency is much better than having no duty.

13068. *Q.* The two cases have really nothing to do with each other.

A. Nothing, except that the trade will be used to the duty.

13069. *Q.* Do you think that Government can get anything out of it?

A. I think so.

13070. *Q.* Do you think that it would not seriously reduce the trade?

A. I don't think that the duty has seriously reduced the rice trade.

13071. *Q.* Rice is a special class of goods. Do you apply this to other goods?

A. Take the case of wheat. It would not seriously reduce the trade in wheat in the Punjab and Sind.

13072. *Q.* During the war have you had experience of the working of Government control of foodstuffs?

A. I was Deputy Foodstuffs Commissioner for 6 months in 1919.

13073. *Q.* Under Mr. Innes?

A. Yes.

13074. *Q.* Did you find that the result of this control was to increase or decrease the supplies of food?

A. The control did a certain amount of good and the provincial control did a great deal of good.

13075. *Q.* In what way?

A. In this way; the supplies went in the right direction. Supplies were not drawn in excess by more wealthy provinces.

13076. *Q.* You are talking about the internal control, but what I was talking about was the control of export.

A. I think that to a certain extent the control of export did some good but I don't think that it did as much good as the other system might have done.

13077. *Q.* Did not the control of foodstuffs restrict and hamper the trade of this province?

A. Yes.

13078. *Q.* You would prefer an export duty on the control?

A. Yes.

13079. *Q.* You think that the reimposition of control is an inadvisable thing except in a national emergency.

A. Yes.

13080. *Q.* I do not suppose that you would care to be taken into the question of inter-provincial supplies.

A. That is rather outside my province.

Witness No. 90.

Written statement of the Burma Chamber of Commerce.

13081. *Q.* The main question at issue resolves itself into the time-worn controversy of Free Trade *versus* Protection.

When applied to India we have no hesitation in advocating a policy of Free Trade with certain reservations for special purposes which are referred to later in this note.

It is impossible in a note like this to place on record all the arguments in favour of Free Trade or against Protection, and it will be sufficient if we state the main considerations which weigh with us in favour of Free Trade.

(1) India is not, and we do not consider ever will be, self-supporting in the manufactured articles which she consumes, and, accordingly, she will always be a purchaser from other countries manufacturing those articles.

(2) India's greatest wealth lies in her agriculture, and it is essential that everything possible should be done to encourage the expansion and growth of this natural wealth which she disposes of so largely in British and Foreign markets. Those markets at present are free and open to her, and should be encouraged to remain so by the adoption of a Free Trade policy.

(3) India is entirely dependent upon British and Foreign countries for her shipping, both import and export, without which all trade would be strangled. So long as India remains in this position it would be folly to adopt a policy of Protection which, owing to retaliation by those countries, might arrest the free flow of imports and exports.

As mentioned above, a Free Trade policy cannot be rigidly adhered to in India because conditions make divergencies necessary for certain specific purposes. Those purposes are:—

(1) The imposition of tariffs is necessary for revenue purposes. There are two means of raising Revenue; by Direct and Indirect Taxation. Of the two we prefer Indirect Taxation, because it is more economically collected, and it distributes the burden more evenly over the whole population so that it becomes less felt by any particular section. Conditions in India make it impossible, however, to rely only on Indirect Taxation, through which millions who are capable of contributing something towards the State would not be taxed at all or only in a very small degree. Direct taxation is necessary in the shape of income and land taxes, but the latter should not be imposed in any degree which might tend to arrest the expansion of agricultural production.

Indirect Taxation, which is levied by Tariffs and import duties, should be made as wide as possible, and should be heaviest on luxuries, and in lesser degrees on imports of commodities which are necessities until we reach the absolute necessities themselves, or the imports of commodities which are essential to the manufacture of such necessities, which should be allowed in free, or with the minimum of duty necessary for revenue purposes. In order to broaden the basis of taxation as much as possible we are also in favour of the imposition of excise duties on goods manufactured in India where those can be imposed without detriment to the industry concerned.

(2) The imposition of tariffs is permissible, *as a temporary measure only*, for the protection of internal industries which are in their infancy (and for which the necessary capital and enterprise are forthcoming). But such protection should only be given in order to set such industries on their feet, and should not be continued if later it becomes evident that such industries can only exist by means of such protection.

(3) The imposition of tariffs is necessary as a means of retaliation against the dumping of foreign goods which are manufactured under a system of bounties allowed by the Government of the country in which the goods are manufactured.

For those reasons and those reasons only should the policy of Free Trade be departed from.

Answers to Questions.

13082. *Q.* 1. We favour free trade.

We consider indirect taxation preferable to direct taxation for the purposes of obtaining revenue. We therefore favour imposition of Customs Duties for the purposes of obtaining revenue.

13083. *Q.* 2. We consider a tariff provides a more suitable form of taxation for India than direct taxation. If further taxation is necessary we prefer that this should be obtained through an increase in indirect taxation.

13084. *Q.* 3. See note.

13085. *Q.* 4. As at present levied, the tariff conforms to no settled principles. It should be based on a settled policy of, firstly, obtaining revenue without unduly increasing the necessary cost of living, secondly, to prevent dumping of foreign manufactured goods which are fed by State bounties.

13086. *Qs.* 5 and 6. We do not think any undue hardship has been inflicted on Indian industries in the past, although the tendency to inflict on certain industries an Excise Duty equal to the duty imposed upon an imported article of a similar nature is barely fair. If, for the purposes of revenue, it is necessary to impose an Excise Duty, then, in our opinion, such should, as a general rule, be somewhat less than the duty imposed on the imported article.

In regard to the second part of the question, it is impossible to say what the effect on Indian industries would be from continuance of the present policy in the future.

13087. *Q.* 7. We are not in favour, generally speaking, of protecting industries. An industry, if it is going to be at all sucessful, must stand on its own legs. It appears to us, however, that for the purposes of revenue, Excise Duties are necessary, but these might be on a more favourable scale for the Indian manufacturer than the duties imposed on imported articles of a similar nature.

13088. *Q.* 8. No, but they can be imposed in such a way as to make the increase to the consumer negligible.

13089. *Q.* 9. No. See note.

13090. *Q.* 10. No, never. The climatic conditions, lack of skilled labour, and absence of necessary raw materials will make India always dependent upon foreign countries.

13091. *Qs.* 11 and 12. No. We do not believe in protection, unless as a purely defensive measure.

13092. *Q.* 13. Most certainly not.

13093. *Q.* 14. We would confine to the former only.

13094. *Q.* 15. Yes, by the imposition of a countervailing duty.

13095. *Q.* 16. Hand industries should be encouraged to provide work for agricultural labourers during off seasons of the year.

13096. *Q.* 17. Yes, by tariff and excise adjustments.

13097. *Q.* 18. Undoubtedly—in certain cases British and foreign firms would try to establish themselves in India if a protective policy were adopted. Competition on a fair and equitable basis is a good thing for any country.

13098. *Q.* 19. We think such conflicts are inevitable, but we see no difficulty in adjusting them.

13099. *Q.* 20. Yes, the whole of it. But an excessive duty will lead to a loss of revenue.

13100. *Q.* 21. Yes, generally speaking.

13101. *Qs.* 22 and 23. Certainly not, but were the decision otherwise, then, in answer to the first part of Question 23, we say "Yes." In answer to the latter part of question 23 foodstuffs undoubtedly should be classed as necessities.

13102. *Q.* 24. (*a*), (*b*), (*c*) } Increased wages mean increased cost of living.

13103. *Q.* 25. Policy of protection would be detrimental to India, protection being, in our opinion, a weakening influence. It obviously cannot be desirable to create by protection industries which would not be able to stand on their own legs.

13104. *Q.* 26. Yes.

13105. *Qs.* 27 and 28. Special tariffs should be avoided as far as possible, and only in very exceptional circumstances should such tariffs be introduced.

13106. *Q.* 29. We consider that alterations of tariffs should be delegated to a Standing Committee on which all Chambers of Commerce should be represented. Special knowledge will be required, and this can best be secured through those who are directly and financially interested.

13107. *Q.* 30. Export duties should be primarily imposed for the purpose of raising revenue. The only exception to this, we consider, would, in the event of it becoming necessary to impose an export duty for exports to certain destinations, be purely as a defensive measure.

13108. *Q.* 31. Bad effect. Generally speaking, export duties can only be imposed without injury if India can by the amount of export duty underquote other producing countries.

13109. *Q.* 32. In cases where there is ample plant available in the country to handle raw material we consider an export duty on raw material might be permissible.

13110. *Q.* 33. We do not consider it would be of advantage to India to impose an export duty on foodstuffs with a view to controlling their export and thereby lowering Indian prices and the cost of living. Any such policy would be distinctly injurious to the agriculturists and, in time, would have the effect of causing reduced cultivation.

13111. *Q.* 34. We would consider it advisable to impose an export duty on a raw material in retaliation for an import duty imposed by a foreign country on the manufactured article.

13112. *Q.* 35. We are in favour of Free Trade with Imperial Preference. We think possible India would be justified in risking some economic loss for the sake of Imperial Preference.

13113. *Q.* 36. We would make no special exception in favour of the United Kingdom. The policy of preference should apply equally to all parts of the Empire which are open to reciprocate.

13114. *Q.* 37. We are not prepared to express an opinion as to whether any material loss or gain would be likely to accrue to India from a system of Imperial Preference. We do not anticipate any retaliation by foreign countries against India, provided the terms of Imperial Preference do not differentiate excessively from duties imposed on goods of foreign countries.

13115. *Q.* 38. We are not in a position to give any reply to this question.

13116. *Q.* 39. If Imperial Preference is decided upon, we would apply it to all goods.

13117. *Q.* 40. Not necessarily—especially if British goods could fill the demand as other countries would undoubtedly try to maintain trade by cutting prices, especially if the difference in import duties on goods coming from foreign countries was not too marked.

13118. *Q.* 41. We do not consider the balance of trade would suffer from Imperial Preference.

13119. *Q.* 42. Not to any considerable extent.

Oral evidence of Messrs. A. B. RITCHIE, JOHN HOGG and J. K. MICHIE of the Burma Chamber of Commerce, examined at Rangoon on the 25th January 1922.

Mr. A. B. Ritchie, Chairman of the Burma Chamber of Commerce, Mr. John Hogg and Mr. J. K. Michie were called in and examined on behalf of the Burma Chamber of Commerce. (The answers were given generally by Mr. Ritchie. Wherever Mr. Hogg or Mr. Michie replied, it is so indicated in the report.)

13120. *The President—Q.* Gentlemen, you appear on behalf of the Burma Chamber of Commerce?

A. Yes.

13121. *Q.* Your Chamber is in favour of a policy of free trade with certain reservations?

A. That is correct.

13122. *Q.* In giving your reasons for favouring free trade you state: "India is not, and we do not consider ever will be, self-supporting in the manufactured articles which she consumes, and, accordingly, she will always be

a purchaser from other countries manufacturing those articles." Is there any reason why India should not try to produce all she can for her own needs ?

A. There is no harm if she tries to do it, but she cannot do it.

13123. *Q.* But supposing she would be able to do so by a system of protective tariffs, would you not permit her to adopt that policy ?

A. I do not think so.

13124. Q. Will you please tell me why ?

A. It would raise the cost to the consumer in the country.

13125. *Q.* Would there not be countervailing advantages as against the increase of cost to the consumer ?

A. I do not think so.

13126. *Q.* Can you explain why most of the civilised countries have adopted a policy of protection at the expense of the consumer ?

A. Great Britain has not adopted a policy of protection.

13127. *Q.* Excluding Great Britain can you name any civilised country in the world which has adopted a strict free trade policy ?

A. I am afraid I cannot.

13128. *Q.* If those countries think that it is to their economic advantage to develop their industries by a system of protection, don't you think it is a good indication for India to adopt a policy of protection ?

A. Not necessarily : the conditions are different here.

13129. *Q.* What conditions do you think would justify an intensive effort for the promotion of industries by means of a protective tariff ?

A. Very much larger exports.

13130. *Q.* Do you think it is to the advantage of India to be an exporter of raw materials and importer of manufactured goods ?

A. (*Mr. Hogg*) I think so.

13131. *Q.* You know that the United States of America are situated practically in the same condition, namely that they produce a large amount of raw materials, both agricultural and mineral. They have adopted a policy, of protection and carried out an intensive development of industries through protection. Do you think they are wrong ?

A. (*Mr. Hogg*) When America started to be a protective country she had no manufactures at all ; she was getting a big influx of immigrants ; she could export a large amount of agricultural produce ; and she wanted to work up her agricultural produce for her own home needs.

13132. *Q.* You do not think that in India there is a greater need for the development of industries for providing diversity of occupation ?

A. Certainly, provided that is the object.

13133. *Q.* What I wanted to ask you was this : that if Government were satisfied that certain industries could be established successfully and profitably within a reasonable period of time, but required state assistance by way of tariff or otherwise during the transition period, would you object to the grant of such assistance ?

A. No. I do not object to such assistance being granted to an industry which has already been started. After an industry has been started, if it appears that it requires a certain amount of protection in order to set it on its feet and to enable it to meet foreign competition, then I would favour a period of protection for that industry.

13134. *Q.* Why should you restrict it to industries already established ? Why would you not extend that help to those industries which have a reasonable probability of establishing themselves in India by virtue of the natural advantages which she may enjoy ?

A. You might very well induce an industry to start, but it might require permanent protection. (*Mr. Michie*) Take the case of the dye industry in England.

13135. *Q.* I should like you to explain why you differentiate between an industry which has already been started and an industry which has not been started but which has a reasonable prospect of being established under a temporary protection.

A. In the one case you have a concrete proof that the industry requires a certain amount of protection : in the other case you have to proceed on a purely theoretical assumption. A scheme may be perfect on a small scale —on a laboratory scale—but practically it may be far from a success. In the case where an industry has been started you know how much help—not protection—would be required. Before an industry has been started you cannot say how much help it would require.

13136. *Q.* In such a case you lay down a policy that state aid should be given.

A. (*Mr. Hogg*) A protective tariff would raise the cost of living to all the other people. The protection should be introduced only as a temporary measure. It may be for a period of 5 years or 6 years, but not permanently. (*Mr. Michie*) You are not going to get good work from protected industries, not the same thought and enterprise.

13137. *Q.* You are getting some return by establishing your industries. If you do not give protection you may not establish the industry at all.

A. By the amount of help you are giving that industry you are raising the cost of living in the country.

13138. *Q.* But it is being done all over the world.

A. (*Mr. Michie*) In America the cost of living is the highest in the world.

13139. *Q.* Your second reason is : "India's greatest wealth lies in her agriculture, and it is essential that everything possible should be done to encourage the expansion and growth of this natural wealth which she disposes of so largely in foreign and British markets. Those markets are free and open to her, and should be encouraged to remain so by the adoption of a free trade policy." Do you think these markets would be closed against India so far as her raw materials are concerned if she adopted a policy of protection ?

A. There is a chance of that.

13140. *Q.* Can they do without our raw materials ?

A. I do not say so, but it will be more difficult for you to compete with other countries exporting the same materials.

13141. *Q.* How ?

A. If they put a big import duty on Indian goods and not on goods from other countries, naturally India would suffer.

13142. *Q.* Could not India then put a heavy duty on their manufactured goods ?

A. That might be done.

13143. *Q.* Will you please name a country like that ?

A. For instance, Russia.

13144. *Q.* Russia at present is out of consideration.

A. She will not always remain as at present. In future she will count.

13145. *Q.* What was Russia's trade with India ? As far as I know very little indeed !

A. She was a very large consumer of tea. Tea was the principal thing which we exported to Russia from India.

13146. *Q.* And do you think that she would stop it ? Russia herself is a protectionist country.

A. She might buy from China and Java.

13147. *Q.* At her cost ?

A. It does not necessarily mean that she buys at her cost.

13148 *Q.* Does she purchase from India in order to oblige India ?

A. No ; it is because she wants the tea.

13149. *Q.* It suited her best in point of price and quality.

A. Yes.

13150. *Q.* Therefore she was not obliging India. Chinese tea is in some cases of superior quality and Indian tea is of inferior quality, and the price is regulated by supply both of quality and quantity. Because India adopted a policy of protection would Russia go so far as to injure her own economic interests in order to penalise Indian tea ?

A. She might.

13151. *Q.* There may be a great many unreasonable things which she might do, but do you think she would injure herself in order to injure India ?

A. There is a possibility of her doing so. It is a possibility which we do not want to create.

13152. *Q.* She would adopt a policy which would be economically to her own disadvantage ?

A. It would be disadvantageous to India.

13153. *Q.* India is the next consideration. Would she do it in order to hurt India at considerable expense to herself ?

(No answer).

13154. *Q.* Your third reason is: "India is entirely dependent upon British and foreign countries for her shipping, both import and export, without which all trade would be strangled. So long as India remains in this position it would be folly to adopt a policy of protection, which, owing to retaliation by those countries, might arrest the free flow of imports and exports." Do you contemplate in this statement, that the shipping interests of other countries would retaliate against India and refuse to carry our goods either way?

A. They might not refuse to carry your goods either way, but if you put on heavy import duties, naturally it would reduce your imports. At present ships are enabled to come here with a full load and take back your exports. If your imports are decreased they would not come in such numbers.

13155. *Q.* But is it not possible that by adopting a policy of protection you might send out a smaller quantity of raw materials than you are doing now? You may import a smaller quantity of manufactured goods and export a smaller quantity of raw materials.

A. (*Mr. Michie*) You want to reduce the exports to England?

13156. *Q.* If you manufacture some of your raw materials, to that extent the export of your raw materials will be reduced and there will be a corresponding reduction in the import of manufactured goods.

A. (*Mr. Michie*) Yes, that seems reasonable.

13157. *Q.* Do you think that a mercantile marine is such an essential thing for the defence of India that we should encourage its coming into being with a policy of protection?

A. Certainly a mercantile marine is not essential for India. India has not shown any signs of making a start with building her own ships.

13158. *Q.* Do you think that our free trade policy has had anything to do with this lack of enterprise in the shipping line?

A. I do not think so. It is due to lack of enterprise and natural facilities.

13159. *Q.* You have got to compete with well-established shipping lines which it is very difficult for a new shipping company to do. Do you know how Japan succeeded in building up a mercantile marine?

A. But at the beginning she had to get her ships built by Great Britain.

13160. *Q.* But afterwards she established her own docks?

A. Yes, she is now doing it. (*Mr. Hogg*) If India starts now, she has to face also Japanese competition.

13161. *Q.* In the interests of national defence you should have a mercantile marine, and if Japan has succeeded, is there not a possibility of India succeeding?

A. (*Mr. Hogg*) Japan is not part of the British Empire. The defence of India has always been an Imperial subject and looked after by the Imperial authorities. Of course if you want to break away entirely from the British Empire, then you would need your own mercantile marine and you would need your own Navy as well.

13162. *Q.* Do you think the same conditions do not apply to South Africa, Australia, Canada and New Zealand? They are trying to establish a mercantile marine?

A. (*Mr. Hogg*) I do not think any of them is very successful.

13163. *Q.* Your contention was that India being a country belonging to the British Empire, she did not require a mercantile marine of her own. My question was if South Africa, Australia, Canada and New Zealand have tried to establish a mercantile marine of their own, why should not India do so and remain within the British Empire?

A. There is no harm in India trying to do it, but the fact is she is not doing it now.

13164. *Q.* That is why I asked whether the free trade policy which has prevailed so far was not responsible for that state of things.

A. (*Mr. Michie*) I do not see how it could be. As far as shipping is concerned I think India would be in exactly the same position under protection as she is under free trade. If she could not establish it under the one she could not establish it under the other.

13165. *Q.* I do not wish to enter into a discussion with you but what I said was: Japan has established a mercantile marine not under a free trade policy but under various forms of protection, such as bounties, subsidies, etc. Now, if Japan required all this assistance in order to build up her mercantile marine and gave all this assistance, why should not India adopt the same policy of giving bounties, subsidies, etc., and establish a mercantile marine of her own successfully?

A. Who is going to pay for this?

13166. *Q.* The country will pay for it. My point was not that we should go in for protection to establish a mercantile marine. I was merely answering your objection "India is entirely dependent upon British and foreign countries for her shipping, both import and export, without which all trade would be strangled. So long as India remains in this position it would be folly to adopt a policy of protection." Why should India remain in that position dependent on foreign countries if she could establish her own mercantile marine?

A. (*Mr. Hogg*) As long as the administration is prepared to pay for it, there is no objection.

13167. *Q.* You cannot get anything in this world without paying for it. That is a commonplace.

(No answer).

13168. *Q.* In answer to question nos. 11 and 12, you reply in the negative. Then you say: "We do not believe in protection unless as a defensive measure." Will you please explain what you mean by that?

A. What we mean by protection as a defensive measure is: protection against goods which are imported from foreign countries where they are manufactured under a system of bounties without which they would not be able to compete with the locally manufactured goods.

13169. *Q.* Then, you would give to India freedom to regulate her fiscal policy in those matters in which she meets with the condition which you have just mentioned?

A. Oh, yes.

13170. *Q.* And would you modify your free trade policy to that extent?

A. To that extent, yes.

13171. *Q.* In answer to question no. 35, you say: "We are in favour of free trade with Imperial Preference. We think possibly India would be justified in risking some economic loss for the sake of Imperial preference." Will you please explain how there can be Imperial Prefereence under free trade?

A. Strictly speaking, it is a departure from free trade, but we are in favour of keeping the Empire together (*Mr. Michie*) A policy of Imperial Preference has been accepted by free traders.

13172. *Q.* Will you please explain what is meant by Imperial Preference?

A. Preference in the Empire on tariff duties in order to assist industries which are in the British Empire as against foreign industries.

13173. *Q.* Then you have got to regulate your fiscal policy in regard to how it affects various industries, indigenous, Empire and foreign. Is it not so?

A. Quite true.

13174. *Q.* But that can hardly be done under free trade which leaves the market open and enables the consumer to buy in the best market.

A. We are treating all the possessions in the British Empire as one.

13175. *Q.* If you lay down a rigid policy of free trade how could you discriminate?

A. (*Mr. Hogg*) When we say we are in favour of free trade, we admit that we must have some duties for revenue purposes. What we mean is that we might have a lesser customs duty on British made goods than of foreign made goods. While we favour free trade, we recognise that the country must have revenue and we are in favour of revenue being raised by customs duties rather than by direct taxation. You might in your present duties have a slightly differential rate for British goods.

13176. *Q.* And all the while working on free trade principles?

A. (*Mr. Michie*) We are Imperialists.

13177. *Q.* I merely want to know what the opinion of your Chamber is I am not expressing an opinion of my own.

A. We would adopt a free trade policy in general, but we recognise that we cannot stick to a free trade policy entirely in India, as Imperial interests have to be considered.

13178. *Q.* Then coming to question 36, you would make no special exception in favour of the United Kingdom. The policy of preference should apply equally to all parts of the Empire which are open to reciprocate. I understand that what you desire is that there should be reciprocal trade treaties between the various parts of the Empire to the mutual advantage of each party to the agreement ?

A. (*Mr. Ritchie*) Yes, there must be a good deal of give and take.

13179. *Q.* That is to say you advocate a policy of reciprocity ?

A. (*Mr. Ritchie*) Yes.

13180. *Sir Edgar Holberton.*—*Q.* I take it that really what you are advocating is the continuation of the present policy of what may be called a revenue tariff ?

A. (*Mr. Ritchie*) Yes.

13181. *Q.* You realise that there must be revenue duties ?

A. (*Mr. Ritchie*) Yes, I realise that.

13182. *Q.* My point is whether the revenue tariff would not develop into a protective tariff. At the present moment the revenue tariff has been increased to 11 per cent. with some exceptions. Is there still room under a revenue tariff for the enhancement of customs ?

A. (*Mr. Hogg*). I think in the case of cotton it has already become a protective tariff in as much as in former years when there was an important excise duty of 3½ per cent, mills in Bombay I understand were able to compete with Lancashire. They were able to grow and prosper and make considerable profits, and practically speaking they captured the whole trade in the lower counts of yarns and cloths woven from them. They are now in a more advantageous position and the general result of that advantage has been to increase their profits. I do not think the consumer has been enabled to get his cloths cheaper.

13183. *Q.* Would you subscribe to the opinion that when you have a divergence of customs duty and excise duty, the prices of the manufactured goods will be apt to rise ?

A. (*Mr. Hogg*). I subscribe to the opinion that the price of a commodity is, practically speaking, ruled by the dearest goods saleable. I do not think that the cheapest produced goods regulate the price for the dearest.

13184. *Q.* If it was necessary to raise more revenue, it would apparently be dangerous to impose a higher customs duty and you would be in favour of raising the excise duty ?

A. (*Mr. Hogg*) yes, I certainly would. I think that the Indian cotton trade could well have its excise duty raised if it is required for revenue purposes, up to very nearly the present import duty.

13185. *Q.* Without increasing the import duty ?

A. (*Mr. Hogg*) I think so.

13186. *Q.* Of course there is another way of raising revenue that is by what called 'Consumption tax' by which the same duties are imposed on the imports and the home products.

A. Yes.

13187. *Q.* Supposing the import duty is 11 per cent. and supposing it was decided to impose a consumption tax temporarily for revenue purposes, the consumption tax would be put on the whole quantity marketed whether imported or produced locally.

A. Exactly.

13188. *Q.* Do you think that it would be a good thing for the consumer ?

A. I do not think that there is any harm in it ; everybody consumes, so that everybody pays something.

13189. *Q.* Some sort of scheme on those lines would have the approval of your committee.

A. We have considered that point. It is more or less contemplated in answer to questions 5 and 6.

13190. Q. If, for the purposes of revenue, it is necessary to impose an excise duty, then in your opinion, such should, as a general rule, be somewhat less than the duty imposed on the imported article ?

A. Yes.

13191. *Q.* Do you consider that at the present moment India is badly served with ships ?

A. No. The B. I. S. N. Co. and other lines are supplying Indian wants.

13192. *Q.* Is it a cheap service or an expensive one as compared with other services available in the world ?

A. (*Mr. Ritchie*) cheap, I think.

13193. *Q.* From a purely commercial point of view, you don't really see any reason why Government should assist to secure a further shipping supply ?

A. (*Mr. Ritchie*) I think it is a very expensive business

13194. *Q.* When you say that India is entirely dependent upon British and foreign countries for her shipping, do you mean the Empire countries and also Japan and America ?

A. France also.

13195. *Q.* Are you in favour of giving preference to Empire ships ?

A. (*Mr. Hogg*) I understand that certain foreign countries such as Japan put difficulties in the way of the English companies. I should certainly regulate that and treat them in the same way as they treat us.

13196. *Q.* I want the opinion of your Chamber as to whether it would be a good thing to enter upon a policy of retaliation.

A. (*Mr. Michie*) The Chamber gave their opinion two years ago when they discussed the subject and they were in favour of that policy.

13197. *Q.* I gather that you consider that in India there is sufficient opening for commercial development on private lines and that industries will be exploited privately.

A. All industries would be exploited.

13198. *Q.* What I mean is, you don't want Government to step in and assist an industry when it is in the baby stage ?

A. Not before it is established and running.

13199. *Q.* Do you think that if you adopt that policy, the industries of India would be developed by private men ?

A. (*Mr. Hogg*) any industry likely to make a success by private enterprise will come in as it has done in the past.

13200. *Q.* Is it likely that India will if left to itself develop industrially to a reasonable extent or to the extent to which its resources justify ?

A. You have got enterprise, capital and raw materials which are necessary for the success of an industry. Then the question of labour comes in. Labourers have got to be trained and it takes a considerable time. For this purpose we would be willing to give a certain period of protection or at any rate, protection for a period in which to prove that the labour could be trained. If it cannot be trained within that period, the industry cannot stand on its own feet.

13201. *Q.* You would really protect the industry if it is shown that it can support itself later on ?

A. Yes. I would give protection only to set the industry on its feet.

13202. *Q.* Do you think that under this system the industrial progress of India will be satisfactory ?

A. We hope so.

13203. *Q.* In your province the progress has been fairly rapid, has it not ?

A. (*Mr. Michie*) In Burma there have been various attempts made which have been very unsuccessful.

13204. *Q.* Don't you think that war had something to do with private success in the industrial development in India ?

A. I believe it probably did.

13205. *Q.* You realise that free trade principles must be qualified to allow action against dumping. Have you had any instance of dumping in this province ?

A. No. I cannot mention any.

13206. *Q.* When you have a competing country which has excess supplies which it has to sell almost at any price, would you take any steps to help your local industry against that ?

A. (*Mr. Michie*) Then the local industries are not sound.

13207. *Q.* You mean to say that they must be prepared to compete with what may be called world prices ?

A. Yes.

13208. *Q.* Have you to contend with any bountyfed imports here ?

A. (*Mr. Hogg*) I am not aware of any at the present moment.

13209. *Q.* Have you any recommendation to make in regard to the rice trade ?

A. We want to export as little unfinished rice as possible in order to employ the mills labour of the country to export finished rice. We would like to have an export duty on unfinished rice, but this would only be necessary if a consuming country put an import duty on finished rice.

13210. *Q.* That is the only direction in which you think you would be likely to require assistance in the matter of rice ?

A. Yes.

13211. *Q.* With reference to timber, is any sort of Government assistance required ?

A. Yes, I would suggest a reduction in the royalty to Government.

13212. *Q.* You look upon royalty as a customs duty practically ?

A. Yes. Royalty paid for timber bears higher ratio to the finished value of the timber than the duty on any other product of the country.

13213. *Q.* With reference to oil, is any protection required ?

A. Yes.

13214. *Q.* Would you care to put any proposition before the Commission ?

A. I consider that it is absolutely essential that the present protection which is given to us should be continued.

13215. *President*—*Q.* What is the protection that you now get ?

A. The protection given is an import duty on foreign oil.

13216. *Q.* Without the continuation of this protection your industry would be seriously handicapped ?

A. It would stop eventually.

13217. *Q.* The import duty at present is 20 per cent.?

A. Roughly.

13218. *Sir Maneckjee Dadabhoy*—*Q.* You refer to Kerosine oil ?

A. Yes.

13219. *Q.* The import duty is fixed at 0-1-6 per gallon on kerosine oil used for burning purposes and 7½ per cent. *ad valorem* for imported fuel oils, lubricating and other oils ?

A. Yes.

13220. *Q.* You want this to be kept on ?

A. Yes, I want the present protection to be continued.

13221. *Sir Edgar Holberton*—*Q.* You look upon it as consistent with free-trade doctrine ?

A. Yes because it is an industry which is absolutely essential for India. There is no other industry which can compare with it.

13222. *The President*—*Q.* Iron and steel ?

A. No, because the quantity of iron and steel which can be manufactured in India are almost limited. At present the production of oil in India is far below the demand. Besides, this is the only place in the British Empire that produces oil at all.

13223. *Sir Edgar Holberton*—*Q.* Of course your competitors are very big people ?

A. There are only two competitors, the Standard Oil Co. and the Asiatic Petroleum Co.

13224. *Q.* Are there any other industries in the country which your Chamber desires to protect ?

A. (*Mr. Hogg*) There is a small tin mining industry in Burma. It is not possible to smelt tin in large quantities here. Therefore it has to be exported out of this country to the Straits to be smelted there ; and when it is imported it has to pay 11 per cent. customs duty as if it were a product of a foreign country. We took up the matter with the Development Commissioner and asked him if it was not possible to protect it by some means. The quantity of tin produced in Burma is about equivalent to the quantity imported into India so that India could be self-supporting in the matter of tin.

13225. *Q.* Your idea would then be to have some sort of protective duty ?

A. Not to encourage tin smelting so much as to allow us to export the tin mined in this country for smelting and then to import it back free of duty.

13226. *Q.* Have you got some definite suggestions as to how this can be done ?

A. Suggestions have been made to the Development Commissioner, and I can give a copy of that letter to the Commission.

13227. *Mr. Narottam Morarjee*—*Q.* In your written evidence you say, 'In order to broaden the basis of taxation as much as possible we are also in favour of the imposition of excise duties on goods manufactured in India where those can be imposed without detriment to the industry concerned.' How are you going to judge that ?

A. (*Mr. Hogg*) As long as the industry can go on competing with foreign industries, I do not see why it should not contribute to the revenue of the Government. I think that matter can easily be decided by the producers in a very short time. (*Mr. Ritchie*) We have already suggested that a committee may be appointed.

13228. *Q.* You say that the Indian mills paid large dividends. Do you know what dividends they paid before the war ?

A. I cannot say at present. The statement of accounts which I have got does not go beyond 1917.

13229. *Q.* You may take it from me that they paid about 8 or 10 per cent. Do you consider that a high dividend ? During the war India could not import cloth from lancashire and other countries. Are not prices ruled by supply and demand ?

A. Yes, to a very large extent.

13230. *Q.* Do you know that England levied an import duty of 33⅓ per cent. on foreign motor cars ?

A. Yes.

13231. *Q.* Why did they do so if they did not want to protect their industries ?

A. It was for revenue purposes.

13232. *Q.* Why did they not put it on other articles ?

A. (*Mr. Hogg*) They put it on many articles.

13233. *Q.* Cannot India also levy import duty on articles ?

A. (*Mr. Hogg*) We admit that they should raise their revenue by customs duties. (*Mr. Michie*). We don't say that Great Britain was always right.

13234. *Q.* In England the production of motor cars had been curtailed. Some factories were working for only three days in a week, because the costs were high and America was dumping cheap cars ?

A. That was partly the reason.

13235. *Q.* You did not analyse the position why England levied a 33-per-cent. duty ?

A. No.

13236. *Sir Montagu Webb*—*Q.* You say at the top of page 2 of your evidence: " For those reasons and those reasons only should the policy of Free Trade be departed from I gather that the Burma Chamber is generally in favour of a policy of free trade. They give three grounds upon which they recognise that this Policy may be departed from. A little bit later on you think that something may be sacrificed for the purpose of Imperial Preference. That would be a fourth departure from strict orthodox free trade. Would it not ?

A. I do not think so. I would not say that.

13237. *Q.* The two things are contradictory. If there is a variation in duty for the sake of Imperial Preference it is a departure from the strict principles of free trade.

A. Yes. But there won't be any great economic loss to India on that account.

13238. *Q.* Not a very large economic loss, but some economic loss. Then, too, I understand that you are prepared for some departure from the strict free trade policy for the purpose of ensuring industries essential for national defence, in which you include, I take it, key industries.

A. Certain key industries. I would not like to say that all key industries should be included.

13239. *Q.* That makes five departures from the strict orthodox theory of free trade. I should now like to have an opinion on one or two points which have been put before us by some witnesses. It was said a few days ago that industries lead to concentrations of capital in one locality and thereby make for the favourable development country in a way that agriculture does not do, and that for that reason there is some ground for stimulating industrial development. Do you think that is a reason

able proposition? Where you have got industries in places like Calcutta you find large masses of capital available for the development of the country, and that capital is used by enterprising individuals for the development of the country, whereas if the profits were spread all over the country as in the case of successful agriculture, you would never see that accumulation of capital which would be available for the development of the country in the same way?

A. (*Mr. Hogg*) I do not think it is worth while fostering industries so as to collect capital for that purpose.

13240. *Q.* You do not think that would be a sufficient reason?

A. (*Mr. Hogg*) No.

13241. *Q.* You approve of the infant industry argument, and the infant industry argument includes, I take it, the efforts to train indigenous labour in industrial undertakings. Would you regard the training of indigenous labour by means of protected industries as a legitimate departure from the strict policy of free trade?

A. (*Mr. Ritchie*) To a certain extent, yes. (*Mr. Hogg*) To start a new industry in this country you must train up labour. There is no trained labour available.

13242. *Q.* You have approved of infant industries being helped to some small extent, and that covers all the industrial training?

A. (*Mr. Hogg*) We should help only such industries as are likely to stand on their own legs afterwards.

13243. *Q.* On the whole your replies form a considerable modification of the strict out-and-out orthodox free trade point of view. You say that the oil industry could not go on if the present import duties were not maintained.

A. (*Mr. Ritchie*) I do not say that it could not go on. It goes on probably for a number of years.

13244. *Q.* Could you tell us what the Rs. 0-1-6 duty works out at in percentage?

A. It works out I think approximately at about 20 per cent.

13245. *Q.* I understood you to say that in certain circumstances an export duty on unfinished rice would be welcome?

A. (*Mr. Michie*) Only if what has been contemplated by Germany and Austria were actually to happen: if they put a high import duty on the finished article.

13246. *Q.* Did they not actually do so in Germany before the war?

A. (*Mr. Michie*) They had a duty for many years, but it has not in practice been sufficient to keep out our finished article. We know that last year they very seriously considered whether they would not raise this to such an extent that it would put them in a preferential position for buying the unfinished article.

13247. *Q.* That is a form of tariff manipulation against which your Chamber would be prepared to retaliate?

A. (*Mr. Michie*) We consider that it should be in self-defence.

13248. *Q.* I take it that Burma is greatly interested in oil, rice and timber. An import duty on sleepers from foreign countries has been advocated before this Commission. Is that a kind of import duty that you would support?

A. (*Mr. Michie*) I do not know very much about the timber side myself.

13249. *Q.* It has been put before us that an import duty on railway sleepers would encourage developments in Burma?

A. (*Mr. Michie*) The sleepers are mostly from jungle wood, and if the Government found that India could not supply sleepers it might reduce its royalty, I think.

13250. *Q.* Would you favour an import duty on creosoted sleepers in order to encourage creosoting in this country?

A. (*Mr. Hogg*) Not on sleepers generally, because it is in the creosoted sleepers that the competition actually arises mainly. (*Mr. Ritchie*) That is an industry of which I am afraid I have not much knowledge. I have experience of it, and we do not desire to give any definite opinion on it. (*Mr. Hogg*) A good portion of the cost of the indigenous sleepers is the royalty paid to Government. It hampers the trade. If Government reduces it, it is better for the trade. This is a method which would be far better than dealing with it by customs duties.

13251. *Q.* Has your Chamber got anything to say on the subject of the export duty on hides and skins, more particularly the duty on hides?

A. (*Mr. Hogg*) I think the only member really interested to any extent in hides has put in his own statement.

13252. *Q.* Your Chamber has not got anything to say one way or the other on the subject? We have heard in many parts of India that the export duty has killed the hides trade. I want to know if the Chamber would be prepared to give any expression of opinion on the subject?

A. (*Mr. Ritchie*) I am not prepared to express any definite opinion on the subject.

13253. *Q.* Then with regard to the mineral development of Burma, is there anything in the fiscal line which would help the mineral development of this country by way of rebate and other things?

A. (*Mr. Hogg*) The mineral industry is a very small industry. It suffers from lack of communications, rolling stock, and other things, but I do not think these will come under the fiscal heading at all.

13254. *Mr. Coyajee*—*Q.* With regard to the retaliation of which you speak in your written evidence you would apply it only against dumping?

A. (*Mr. Ritchie*) We speak of bounty-fed articles there.

13255. *Q.* Not in the case of goods coming in which are assisted by depreciated currencies abroad?

A. (*Mr. Ritchie*) No. (*Mr. Michie*) I am afraid that practically every country has got a depreciated currency now.

13256. *Q.* Do you think that at present in Burma there is this bounty-fed dumping or unfair competition owing to depreciated currencies?

A. (*Mr. Ritchie*) There may be a little, but not to any great extent.

13257. *Q.* You mean to say that there is nothing tangible?

A. No. Nothing tangible.

13258. *Q.* In your answer to question 34 you consider it advisable to impose an export duty on a raw material in retaliation for an import duty imposed by a foreign country on the manufactured article. So that is another sort of retaliation. Of the two kinds of retaliation the former is by means of an import duty and the latter by means of an export duty. What would be the scope of the two methods of retaliation proposed here?

A. They would both have to be considered on their merits.

13259. *Q.* The first will be resorted to in the case of bounty-fed dumping, will it not?

A. I would impose an export duty on a raw material in retaliation for an import duty imposed on our manufactured article. I would put an import duty on a foreign article which receives assistance from the Government of its own country in order to put it on a free trade level.

13260. *Q.* We can also use the import duty in the case when another country puts an import duty on our manufactured article?

A. (*Mr. Michie*) As regards rice we do not import any rice from any country discriminating against us. We have to take the means in our hand; that is to say, put an export duty on what they want (in the shape of rice) in order to countervail their import duty. There is no use putting a duty on what they do not want. It is a question of the means of retaliation.

13261. *Q.* In answer to questions 27 and 28 you say "Special tariffs should be avoided as far as possible, and only in very exceptional circumstances should such tariffs be introduced." Will you kindly illustrate this, what special tariffs mean and under what sort of exceptional circumstances they might be utilised?

A. One of these is against the dumping of bounty-fed articles.

13262. *Q.* Your answer does not refer to any other?

A. No.

13263. *Q.* As regards the 20 per cent. import duty on kerosine oil, of which we have been talking do you think that the industry is at all likely to outgrow the necessity of this import duty, or will the duty be required permanently in the interests of the industry in question?

A. If we find after some time that the industry has grown and does not require protection so much the better

13264. *Q.* That is to say, it is fairly likely to be a permanent duty?

A. I should think it is more than likely.

13265. *Mr. Mant*—*Q.* Your Chamber recommends protection as a temporary measure only in certain cases.

A. Yes.

13266. *Q.* I should like to follow out the practical consequence of that. There are three possible cases. Take first the case of an industry which could not survive even when protected. That will die in any case, and we need not worry about it. The second case is an industry that can survive it protected and cannot survive unless it is protected. You say that you would give protection for some time until you discover that the industry fulfils your condition.

A. It must take time to train up the labour to suit the requirements of the industry, to adapt the labour to the industry.

13267. *Q.* You would have a going industry and would withdraw protection from it?

A. If it is proved that the labour could be adapted after a certain time to suit the necessities of that industry, then I should be prepared to protest that industry for a certain time until the labour can be trained.

13268. *Q.* What I am considering is the case of an industry which you decided to protect but afterwards discovered that it would require protection for ever. Would you in that case withdraw the protection?

A. Certainly.

13269. *Q.* Would you not have a practical difficulty in withdrawing it? Would you not create a lot of howling and public agitation?

A. There might certainly be difficulties. But they were granted protection only for a certain time and it is being withdrawn after that time. They would have no cause for howling.

13270. *Q.* But there would be a practical difficulty in doing so?

A. Undoubtedly.

13271. *Q.* Coming to the case of an industry which can after a certain period thrive without protection but needs protection in the initial stage, as soon as it has got to the stage when it could get on without protection would you withdraw it?

A. Certainly.

13272. *Q.* Would you not have to meet even more powerful influences against that measure? You would have a successful industry with a lot of people interested in it—powerful interests—and would you not find it still more difficult to withdraw it?

A. I quite recognise that there would be difficulties in withdrawing it, but I do not think they are insuperable.

13273. *Q.* Looking to the experience of other countries such as the United States, has it not been found practically impossible to withdraw protective duties when powerful industries have been established?

A. The difficulty of the United States was largely due to the fact that there was no legislation which would help the small man. There was no protection for the small man as against the big man. There the industries got into the hands of large trusts and combines.

13274. *Q.* Would not the same thing happen in India?

A. Not necessarily.

13275. *Q.* You will admit that it is a possibility.

A. There is more chance of this happening when you do not protect the small industries. Take the case of a large industrial company started in India at the present time, Tatas for instance. There might be a small industrial company doing the same trade in India as Tatas, and I say that you should do something to protect the small industry against Tatas although both are internal industries. I say that the small industry should be helped.

13276. *Q.* The question I was asking was whether strong influences would not grow up in India to prevent the taking-off of the protective duties if you once impose them?

A. I daresay that there would be influences working.

13277. *Q.* Coming to the question of retaliatory export duty, it was suggested in Calcutta by the Jute Association in the case of raw jute. You make the same suggestion in the case of rice?

A. (*Mr. Michie*) Yes.

13278. *Q.* I suppose you will admit that a country has the right to protest itself and to bring in the raw material free. You cannot blame a country if it does that. You won't prevent it doing so with your raw materials?

A. That is so. But in the case of rice to Germany I would do it. They are not going to give the people cheaper food.

13279. *Q.* I am coming to that point. You can only effect your object if you are strong enough to carry on a tariff war. You are practically proposing an act of war, and it cannot be limited to that particular article. You cannot limit your retaliation to, say, unfinished rice in the case of Germany. Germany might say "All right, if you put a higher duty on unfinished rice, we are going to put a higher duty on Indian hides", or something of the sort. You cannot limit the extent of retaliation. Your answer suggests that you will merely impose an export duty on a particular raw material.

A. (*Mr. Michie*) In the case of rice we export the finished article, while in the case of hides I do not think it is so.

13280. *Q.* I am not talking of any particular article. I am speaking generally. You are really starting a tariff war which may carry you a great deal further than your particular industry.

A. (*Mr. Michie*) I suppose there is that possibility. It all depends on whether you look on the point raised as a parochial one or a national one. I do not deny the possibility. But in this case I do not think that it would lead to anything of that description. (*Mr. Rithie*) The answer of the Chamber is a general one. The answer in 34 is a general proposition.

13281. *Q.* I merely want to draw your attention to the consequences of what would be practically declaration of tariff war.

A. (*Mr. Michie*) We have not declared war first, I suppose.

13282. *Q.* They would justify their protection by saying that they were merely erecting defensive fortifications.

A. (*Mr. Michie*) I admit that there is a possibility of what you suggest happening.

13283. *Q.* I want to point out that you would have to take a very much wider outlook than is apparent in your answer before you embark on a policy of that kind. You would have to look at the whole situation between the two countries.

A. Yes. I admit that it is so.

13284. *Q.* There is another practical difficulty imposing a higher export duty in the case of particular countries. How would you prevent the enemy country from getting its supplies through what you might call neutral countries?

A. It should not apply merely to that country. It should be extended to the adjoining countries through which it can draw its supplies. For instance, Germany will try to get its supplies through Holland.

13285. *Q.* I want to know how you would work it as a practical measure. We were told in Calcutta that it was worked in war time and the President of the Jute Association went so far as to say that he would advocate the restoration of the war method of licensing jute exports. I do not know whether your Chamber would go to that length.

A. No.

13286. *Q.* You have no suggestion to give to get over that difficulty?

A. I admit the difficulty. But you might put the duty sufficiently high, so that if the article was imported into a neighbouring country and then re-exported to the country which was discriminating against us, that country might be no better off than before on account of the cost of handling. It all depends on the length you are prepared to go. Without applying the duty to neighbouring countries our only safeguard would be the cost of re-transport.

13287. *Q.* Coming to the question of the timber loyalty which you raised, you compared it to customs duty or excise duty?

A. It is a method of raising revenue.

13288. *Q.* Does not the timber on which Government charge royalty belong to Government? It is Govern-

ment property and Government is really charging a price for selling you its property.

A. I do not want to raise that question. I only said with regard to jungle wood sleepers that a reduction in the royalty would help.

13289. *Q.* The oil industry you said depends for its existence on the present import duty and it should be maintained.

A. I did not go so far as that. What I fear is that if you remove the present import duty on foreign oils, the probability is that the trade will gradually dwindle and that other areas will not be developed. Therefore further development will be retarded.

13290. *Q.* Was not the duty raised some little time ago?

A. It used to be one anna a gallon and it was raised to 0-1-6 in the year 1911 or 12.

13291. *Q.* Has there been any great development in the Burma Oil Industry since then?

A. During the war there were not many people who came into the Oil Industry but since the war many companies have been floated to develop new areas.

13292. *Q.* I was wondering whether the duty had really increased *ad valorem*. It is a specific duty per gallon, is it not?

A. That is only on kerosine oil or burning oil, but it is not so in the case of fuel oils.

13293. *Q.* Has the price of the kerosine and other oils varied in the last ten years?

A. It has not. The price to the consumer has not increased.

13294. *Q.* There is only one more point, that is about the tin ore. You export your tin ore to the Straits, I understand, for smelting.

A. (*Mr. Hogg*) Yes.

13295. *Q.* Do you sell the ore to the Straits people?

A. (*Mr. Hogg*) At the present moment we sell and finish with it.

13296. *Q.* You sell it to the foreign industry practically as a raw material.

A. (*Mr. Hogg*) Yes.

13297. *Q.* I cannot quite see on what grounds you ask as to remit the duty on the finished product when it comes back to India. Would not that really be paying a bounty to a foreign smelting industry?

A. (*Mr. Hogg*) They have to smelt it in any case. There is not sufficient ore in this country, nor will there ever be, to start a smelting industry here. If the duty is remitted, instead of selling the ore to the Straits people, we could export it under a bond to the Straits for refining and bring it back.

13298. *Q.* If your request is granted you would not sell the ore.

A. (*Mr. Hogg*) No, we would sell the tin after it has come back.

13299. *Q.* Would you be able to arrange with the Straits people to smelt it as your property?

A. (*Mr. Hogg*) Yes.

13300. *Q.* But then the industry after all would be a foreign industry.

A. (*Mr. Hogg*) But the raw material is a native one.

13301. *Q.* Several witnesses have told us that it is not right to allow raw materials to go out of the country and to come back in the manufactured form. They contend that we ought to try and manufacture ourselves, and put protective duties on such goods when they come back in the manufactured form. What you propose is really the reverse.

A. (*Mr. Hogg*) What we propose is entirely on account of the smallness of the quantity available here. If there were sufficient tonnage to start the erection and economical working of a smelter, that proposal would not have been made.

13302. *Q.* If it is so small, is it worth a special concession?

A. (*Mr. Hogg*) Well, the production of tin ore is almost equivalent to the import of foreign tin to India and I understand that the Burma Oil Company are inducing Tata and Sons to put up tin plate works in India and if they can get tin cheaply, it might assist another industry.

13303. *Q.* Would that be an industry deserving of protection.

A. (*Mr. Hogg*) If this industry is protected, it will increase the quantity of tin used and possibly increase the development in Burma of more tin ore.

13304. *Q.* Do you think that it would extend the tin ore industry?

A. (*Mr. Hogg*) It would encourage people to look for more.

13305. *Mr. Jamnadas Dwarkadas*—*Q.* There is only one question I want to ask you. You say that you are in favour of free trade with Imperial Preference and that India would be possibly justified in risking some economic loss for the sake of Imperial Preference. Would you mind explaining that a little further?

A. We want India to remain within the British Empire for the benefits which she gets out of the Empire both commercially and otherwise, and she is entitled to pay for those benefits if necessary, but she should not pay any more than any other dependency in the British Empire. I am not prepared to state exactly how far we would wish India to incur a loss.

13306. *Q.* I want to put it to you in this way. It means that preference should be given to the other parts of the British Empire.

A. Provided they reciprocate.

13307. *Q.* Suppose they reciprocate, even then what will be the loss of India as compared to the loss of the other parts of the British Empire if a policy of Imperial Preference were adopted?

A. I am not prepared to say that. It is a question which it is impossible to answer.

13308. *Q.* Suppose it means a huge loss to India, would you advocate it then?

A. No.

13309. *Sir Maneckjee Dadabhoy*—*Q.* How many members are there in your Chamber?

A. About 75.

13310. *Q.* I understand that they are all European firms.

A. Not all.

13311. *Q.* Are there Indians too?

A. Yes. The Chamber is open to all including Chinese and Japanese.

13312. *Q.* Have you got a committee of all nationalities?

A. The committee are elected by the members at the beginning of the year.

13313. *Q.* I understand that the written views which have been placed before us are the views of your committee and not of the entire Chamber?

A. These are the views of the committee.

13314. *Q.* I also understand that the constituents of your Chamber are largely interested in the export trade.

A. And import trade too.

13315. *Q.* They are more extensively engaged in export trade.

A. Yes.

13316. *Q.* And mostly your trade is in raw materials, is it not?

A. No, I would not say that. (*Mr. Michie*) Most of the trade is in finished products. The rice we export is practically all a finished product.

13317. *Q.* If I correctly understood your evidence, your Chamber advocates a reduction in the royalties payable to Government.

A. No. (*Mr. Michie*) This question arose in connexion with sleepers. What we said was that as against putting a duty on imported sleepers, the alternative was a reduction in the amount of royalties payable to Government. If Government were really going to help the trade, then they might reduce the royalty. That is really the point.

13318. *Q.* You want the present high import duty on oils to remain.

A. Yes.

13319. *Q.* I also understand that you want protection for tin smelting.

A. (*Mr. Hogg*) I have put up a case to help a small industry by the remission of duty on tin.

13320. *Q.* Then I understand you also say that certain industries can be encouraged for a limited period say for five or six years.

A. Yes.

13321. *Q.* Is this consistent with the policy of free trade which your Chamber suggests ?

A. Yes.

13322. *Q* Do you call this free trade ?

A. Yes. We call it a discriminating free trade.

13323. *Q.* If any particular industry can be made to stand on its legs by a system of protection, you don't object to that.

A. No. They may be assisted to stand but they should not be protected for ever.

13324. *Q.* So far as key industries are concerned, what is your definition of a key industry ?

A. A key industry is an industry which is absolutely essential to the welfare of the country under all conditions.

13325. *Q.* Don't you think that the iron and steel industry is essentially necessary for the welfare of India ?

A. Not so very necessary as other products are.

13326. *Q.* What other products would you give precedence over the iron and steel industry ?

A. I would give precedence to oil over the iron and steel industry.

13327. *Q.* You would not protect the iron and steel industry.

A. I don't see that there is any necessity for it at the present moment, because you can get plenty from other countries.

13328. *Q.* Because you can always get iron and steel from other countries, you would not make India self-supporting in this matter ?

A. No, when she can purchase in the open market much cheaper.

13329. *Q.* Don't you think that if we had had a well developed iron and steel industry in the country, it would have been of great value to England during the war ?

A. Probably it would have been of assistance.

13330. *Q.* Don't you think that it would be of very great assistance to India in making her independent for the essentials of life during her critical period ?

A. We have not considered the question of what might be to her advantage during a critical period. We are only talking of an ordinary period.

13331. *Q.* Would it not be a wise thing to make the country self-supporting as far as possible ?

A. Certainly.

13332. *Q.* The iron and steel industry is a very important industry, you would concede.

A. Yes. (*Mr. Michie*) It is being developed.

13333. *Q.* Do you think it is sufficiently developed in India?

A. It is in the process of being developed under present conditions.

13334. *Q.* Does the present system afford sufficient protection ?

A. If it does not require protection, why give any ?

13335. *Q.* Can the industry stand at present without some sort of protection. It stood during the war because it got indirect help but can it stand competition now with foreign countries ?

A. (*Mr. Michie*) I have not seen recent balance sheets.

13336. *Q.* You say that the present free trade policy is good for India and that no departure should be made. I am giving you these instances to find out from you whether after considering these instances you are still prepared to stick to your opinion or whether you will qualify it.

A. We are still prepared to stick to our opinion. If the iron and steel industry cannot go on without protection, we would wish it not to go on.

13337. *Q.* Just as you have asked for protection for oil, if India wants similar protection for other industries, it would be a right thing to give it.

A. Provided that they are likely to be able to stand after some time.

13338. *Q.* In paragraph (2) you say India's greatest wealth lies in her agriculture, and it is essential that everything possible should be done to encourage the expansion and growth of this natural wealth which she disposes of so largely in British and foreign markets. Do you think that India cannot be an agricultural country as well as a manufacturing country at one and the same time ?

A. I would not say that.

13339. *Q.* It could be both an agricultural and a manufacturing country, and the manufactures of course increase the wealth of a nation.

A. Yes.

13340. *Q.* As you are so keen about agriculture, if large industries are started and they prospered, it would mean more wealth to the agricultural classes.

A. (*Mr. Hogg*). It all depends whether the agricultural population would turn their hand to industries.

13341. *Q.* Have you any idea of the proportion of people employed in trades and manufactures ?

A. No.

13342. *Q.* You have not worked out the statistics.

A. No.

13343. *Q.* Would you be surprised if I were to tell you that taking all the industries together in India the proportion of people employed on actual manufactures is very small and bears absolutely no comparison to the people employed in agriculture.

A. (*Mr. Michie*) We would not be surprised at all.

13344. *Q.* About the excise duty you said in your oral evidence that it was an unjustifiable import.

A. We never said that.

13345. *Q.* Would it not come to that ?

A. No. We have no objection to an excise duty being imposed purely for revenue purposes.

13346. *Q.* Do you think that it is right in principle ?

A. Certainly.

13347. *Q.* Can you give me any other country which has put on a countervailing excise duty ?

A. I cannot.

13348. *Q.* You also say that in your opinion the present duty of 11 per cent. on piecegoods is sufficiently protective.

A. (*Mr. Hogg*) Yes. The difference between the customs duty and the excise duty works out to be a protective duty.

13349. *Q.* Do you mean that the difference of 7½ per cent. makes it protective ?

A. (Mr. Hogg) I should think so.

13350. *Q.* You know that it was only imposed lately:

A. (*Mr. Hogg*) Yes.

13351. *Q.* Have you got any reliable data to find out whether it has had that effect ?

A. (*Mr. Hogg*). The effect was that the Bombay piecegoods became dearer.

13352. *Q.* Do you know when the price of Bombay piecegoods began to be high ?

A. (*Mr. Hogg*) I can't tell you.

13353. *Q.* This 11 per cent. duty was imposed only last year.

A. (*Mr. Hogg*) Yes.

13354. *Q.* Do you know that the prices of cotton goods rose gradually from 1918 ?

A. (*Mr. Hogg*) Yes.

13355. *Q.* In March 1921 when this 11 per cent. duty was imposed, the prices of cotton goods were high.

A. (*Mr. Hogg*) Yes.

13356. *Q.* Was the rise in price not due to the abnormal circumstances ?

A. (*Mr. Hogg*) I think that if this duty had not been put on, the prices would have fallen.

13357. *Q.* Do you really think that prices would have fallen ?

A. (*Mr. Hogg*) Yes. I am a piecegoods merchant myself. It is my view. I can't give you any actual statistics.

13358. *Q.* This duty, you say, had the effect of keeping up prices.

A. (*Mr. Hogg*) Yes.

13359. *Q.* Do you know that the whole of Europe is almost paralysed financially ?

A. (*Mr. Hogg*) Yes.

13360. *Q.* Do you know that the trade of the United Kingdom has greatly suffered during the last two or three years ?

A. (*Mr. Hogg*) Yes.

13361. *Q.* Don't you think that these prices have been greatly due to these circumstances and not to anything else ?

A. (*Mr. Hogg*) The increased duty was one of them.

13362. *Q.* The increased duty was only imposed a few months ago.

A. (*Mr. Hogg*) 12 months ago.

13363. *Q.* The prices of cotton goods have fallen during the last 12 months.

A. (*Mr. Hogg*) I don't think that Bombay piece goods have fallen as much as they would have.

13364. *Q.* You said that in India mills had made considerable profits.

A. (*Mr. Hogg*) Yes.

13365. *Q.* When you are referring to these, do you refer to the post-war profits or pre-war profits ?

A. (*Mr. Hogg*) Before the war, I think, if I am not mistaken, that Indian cotton mills were paying propositions.

13366. *Q.* Are you not aware that the Bombay mill industry has passed through several cycles of bad years ?

A. (*Mr. Hogg*) Every industry has.

13367. *Q.* Before the war this industry was trying to holds its own.

A. (*Mr. Hogg*) For some years before the war the cotton trade in the world was passing through bad times.

13368. *Q.* Why do you say that this industry does not need protection when this is only a war effect ?

A. (*Mr. Hogg*) It may be a war effect.

13369. *Q.* You judge the position by the enormous profits which the industry has made during the last few years ?

A. (*Mr. Hogg*) That is part of it. I judge it also from the fact that it was a flourishing industry before the war and is in a flourishing condition since the war.

13370. *Q.* Have you worked out the dividends of the last 20 years ?

A. (*Mr. Hogg*) No.

13371. *Q.* You are aware that Lancashire at one time made as big profits as the Bombay mill industry.

A. (Mr. Hogg) Yes.

13372. *Q.* That prosperity stayed only for a very limited period.

A. (*Mr. Hogg*) Yes.

13373. *Q.* Would you not take that as an example not to draw any strong conclusions like you are now doing so far as the Indian industry is concerned ?

A. (*Mr. Hogg*) Apart from that, the number of mills in Bombay has increased. These mills were not built out of losses. The new mills I take it were built largely out of profits made in the industry. Before the war it was a prosperous industry and was able to compete with the imported goods at a time when it had no preference. Possibly to-day it has too much preference.

13374. *Q.* I understand from your argument the fact that the mills have increased in numbers in a certain period is a ground for concluding that they don't need protection.

A. (*Mr. Hogg*) It is a ground for concluding that it is a prosperous industry.

13375. *Q.* Taking the resources of the country do you think that the present number of mills is very large ?

A. (*Mr. Hogg*) I am not saying that at all. The mere fact that it was able to compete before there was any preference in duty showed that it was a prosperous trade and I have not seen anything to show that it requires any protection, even as much protection as it has now. I don't argue that there should be an excise duty.

13376. *Q.* I presume you know that India had a large market in China ?

A. (*Mr. Hogg*) Yes.

13377. *Q.* You are also aware that Japan has been under cutting India in that market ?

A. (*Mr. Hogg*) Yes.

13378. *Q.* Are you aware that Japan has become a powerful competitor with India ?

A. (*Mr. Hogg*) Yes.

13379. *Q.* So in view of all these circumstances, don't you think that the Indian industry would require some period for putting itself on a firm basis apart from the impetus given by the war ?

A. (*Mr. Hogg*) I think the Indian cotton industry has been in existence long enough to justify its being left to stand on its own legs. I think its nascent period is over now.

13380. *Q.* Do you think that the present duty of 11 per cent. is a reasonable duty ?

A. We only justify duties for revenue purposes.

13381. *Q.* I would like to have the opinion of your Chamber whether the present duty of 11 per cent., which is a revenue duty, is reasonable or not.

A. We do not think it is unreasonable in comparison with the duties imposed on other materials.

13382. *Q.* And your Chamber would have no objection to increase it if it is required for revenue purposes ?

A. (*Mr. Hogg*) If you increase it still further for revenue purposes, you might lose revenue. I think it has reached the limit at which it would be productive.

13383. *Q.* The members of your Chamber also deal in rice. Has the present duty on rice affected the trade in any way ?

A. (*Mr. Michie*) We do not consider it has.

13384. *Q.* Has it reduced the price of rice ?

A. (*Mr. Michie*) I should say it has increased the price. My own view is,—and I think it is also the Chamber's view—that any duty you put on an article like that is paid by the consumer, and therefore the duty you have put on rice has raised its price.

13385. *Q.* So your Chamber is generally in favour of levying an export duty on foodstuffs ?

A. (*Mr. Michie*) As long as you are not going to make it so high that you are going to spoil your market.

13386. *Q.* Except rice, are there any other foodstuffs that you are exporting from Burma ?

A. Maize and millet : but very little.

Witness No. 91.

Mr. C. BRITTON, Managing Director of Messrs. Fabricius and Company, Limited, Rangoon.

Written statement, dated the 24th January 1922.

13387. I desire to submit to the Commission certain views on the policy of the Government of India towards the hide trade more especially the hide trade in Burma.

* * * * *

Enquiries in Rangoon will clearly show that my Company ordinarily does far the greater part of the hide trade of Burma and until two years ago, my Company was responsible for the employment of something between eight to twelve thousand Burmans upcountry in connection with this hide business. Owing partly to the recent slump in trade, and partly to the export duty which has been in force since 1919 my company is now carrying on business at a loss as will be seen from the following figures :—

For the year 1920-21 as is shown by our Balance Sheet the Company suffered a loss amounting to Rs. 5,71,527-13-6, more than half the capital of the Company Rs. 10,00,000.

During the year 1920-21 Messrs. Fabricius & Company, Limited, paid Rs. 1,88,524-9-10 on export duty.

The figures for the year ending on the 31st March 1922 are not yet available but I feel confident that a loss of over a lac will result in the year's trading.

My Company actually closed down for 3½ months in the year 1921.

As regards the incidence of the tax in Burma I would point out that since the introduction of this tax into Burma the tannery of the London-Rangoon Trading Company and some of the native tanneries have closed down entirely and in fact all the tanneries in Burma have discontinued tanning leather suitable for the purpose of making boots, etc. With the exception of the rough country mangrove bark red leather which is used locally and in the Straits Settlements. This mangrove bark red leather has never found a market anywhere except in the Straits and China. The

London-Rangoon Trading Company tannery was run on modern up to date lines and proved a failure, and their entire plant was sold at a loss in Calcutta. This is another proof that the tax had not assisted the tanning industry in Burma. Burma must be regarded as an entirely different country to India in this matter. The Burman never has been a tanner and never will be, as he regards the trade with disfavour, it is carried on in Burma entirely by natives and Chinamen and I venture to state that not a single Burman is employed in any single tannery; all labour been imported. Such labour has to be imported from India or China and at least double the rate of wages current in India has to be paid. There are many difficulties in the way of success in such enterprise owing to labourers leaving their employment, and employers frequently losing the advances which they had given to induce labourers to proceed to Burma.

It must be remembered that Burma hides are an inferior article and that the tax therefore weighs most heavily on this Province. The fact that the tax is not *ad valorem* but is levied at so much per pound hits the Burma trade very hard. A reference to the Chief Collector of Customs will show that since the imposition of this tax the export trade in hides from Burma has diminished to a far greater extent than the export trade in hides from India. I would draw the attention of the Commission to the debate in the Legislative Assembly on the 18th of March 1920 on the motion by Mr. A. D. Pickford proposing to repeal the export duty on hides. I refer especially to the speeches of Mr. Pickford and Mr. Price in the debate. From that debate and from enquiries which I have made I think I am justified in stating that the tax does not obtain favour in any part of India except Cawnpore. Karachi, Burma, Madras and Calcutta are strongly opposed to the tax. The tanners of Cawnpore of course welcome it as it means cheaper raw hides for their tanneries which means larger profits for them, but they cannot tan all the hides produced in Burma and India. Unfortunately hides produced in Burma are of no use for Cawnpore tanneries who do not buy 100 pieces a year from Burma. While I do not deny that tanning of red country leather can be done in Burma, experience in the last few years has shown that ordinary tanning cannot be carried on so as to compete with Indian prices. There is a considerable amount of tanning material in Burma but owing to the cost of transport being so high it has always been found cheaper to import tanning material. I am aware a certain small quantity of hides are being sent to Madras which are turned out as Indian kips but these are only wet salted cow hides; no dry salted or dry cow or dry buffaloe hides have ever been sent to India. I would point out that there is, as was stated by Mr. Pickford, no export duty on hides anywhere in the world except in India although it was tried in the Argentine and proved a failure. I would further adopt the argument which was used by Mr. Chaudhuri Shaha Duddin. If the object of such duty is to stimulate the industry of tanning, the same argument would apply to levying an export duty on cotton. I desire to emphasise that the hide trade in Burma was never in the hands of the Germans even before the war. I admit of course that the collapse of the hide market is partly owing to trade depression but the continuation of this tax means that in the event of business improving the hide trade will still have an additional difficulty in reaping any advantage because of the handicap of this export tax.

It must be borne in mind that Burma hides, although of inferior quality, were until two or three years ago well-known in European and other markets but that they had and have still serious competitors in China hides and in the lower class of Java hides, in which countries there is no export duty.

Sir Logie Watson's remarks in the debate in the Legislative Assembly are typical of the views held by the Cawnpore tanners. Sir Logie Watson admits that the tax has not answered its original purpose but advocates its continuance to enable revenue to be gathered. In the course of his speech he mentions goat-skins. In a very large number of cases these are manufactured in America into glace kid and patent leather for the very good reason that America seems to be the only country in the world which can successfully conduct these operations. Neither India nor Burma will ever be able, for climatic reasons, to produce either glace kid or patent leather. I think I am correct in saying that America makes about 75 per cent. of the whole production of the world on both these articles. France and Italy make gloves out of goat-skins and nowhere in the British Empire has either of these trades been seriously taken up. Sir Logie Watson's hope that the imposition of the duty would result in our getting a little of our own back has not been realised. Sir Logie Watson in his speech states he does not know of any country producing buffaloes in the numbers in which they are produced in India. He overlooks China which produces an immense quantity of buffaloe hides. It is possibly true that China cow hides do not compete with the Indian hides but they are of a type very similar to Burma hides and both of them are totally different from the Indian hides.

I desire emphatically to state that this business of Fabricius and Company which has been in existence in Burma for 33 years will have to be wound up if the tax is retained. In the course of Mr. A. D. Pickford's speech before the Legislative Assembly he suggested the imposition of this duty was "an important contributive cause and might easily turn indeed in many cases it has turned embarrassment into definite failure." He has exactly expressed the position of Messrs. Fabricius and Company and unless this tax is removed our Company's present embarrassment would become definite failure. It is sheer impossibility for us to conduct a hide business in Burma to-day with this duty. I do not believe there is a single hide merchant in Burma who does not agree on this point. The duty has crippled the trade and will end in ruining it entirely. A struggling business like the hide trade of Burma should not be crippled by taxation but should be fostered by the removal of taxation. There are many commodities produced in this Province which bear no appreciable export tax. I might mention rice, cotton and oil as obvious examples which could well bear such taxation.

I have to request that I may be given an opportunity of meeting the Fiscal Commission and answering any questions which they may be inclined to put to me.

Oral evidence, dated Rangoon, the 25th January 1922.

13388. *President.*—*Q.* Mr. Britton, you are the Managing Director of Messrs. Fabricius and Co., Ltd.?

A. I am.

13389. *Q.* You are interested in the hide trade?

A. Only in that.

13390. *Q.* You say in your statement that your Company was responsible for the employment of 8 to 12 thousand Burmans upcountry in connection with this hide business. Do you employ them whole-time?

A. Not actually as whole-time labourers, but in the way of contract.

13391. *Q.* They are not whole-time servants?

A. They are whole-time dealers throughout the year, and a very large number of them get advances from us.

13392. *Q.* You say that in the year 1920-21 your Company suffered a loss of Rs. 5,71000 out of a capital of Rs. 10,00,000. I do not want you to give us any information which you want to keep secret, but unless you tell us what the total volume of your trade is and what percentage of your trade you have lost, your figure is of no value to us.

A. You mean the total turn over? Of course I can give it, but not off hand.

13393. *Q.* Part of your loss is due to trade depression and part is due to the export duty. We have nothing to do with trade losses. Can you tell us how much of your loss is due to the export duty and how much is due to the slump?

A. No.

13394. *Q.* You say that in 1920-21 your loss was Rs. 5,71,000 and that in the present year your loss will be over a lakh. That means your trade is improving.

A. No, Sir. We have not been doing any trade. We closed down our trade.

13895. *Q.* That is only for 3½ months. What I mean is: in 1920-21 you were losing Rs. 40,000 a month, but now you are losing only Rs. 9,000 a month. Your loss is therefore becoming less. The only inference that can be drawn from this is that your trade is getting used to the new conditions.

A. No, Sir. We have been simply paying our staff without buying and without selling. That is the position.

13396. *Q.* You say that the London-Rangoon Trading Company's tannery was run on modern uptodate lines and proved a failure and that their entire plant was sold at a loss in Calcutta. Will you please explain why that was sold?

A. They found that they could not work it profitably: they scrapped the machinery and sold it.

13397. *Q.* Do you think that it was due to the difficulty of getting labour. You say: "The Burman has never been a tanner and never will be."

A. A great deal of it is due to that. They got men from India, and the men did not like the country and left leaving advances outstanding. There were repeated instances of that nature.

13398. *Q.* You say: "The fact that the tax is not *ad valorem* but is levied at so much per lb. hits the Burma trade very hard." That would mean that it is a specific duty. Then what does this 15 per cent. duty mean?

A. It is this: in many cases the hides we ship we sell at a lower price than the tariff rate. Therefore we are paying not 15 per cent. but a great deal more than 15 per cent. on the actual value of the hides.

13399. *Q.* Is it levied at so much per lb.?

A. It is done so, Sir. I think I am right in saying I cannot be perfectly accurate with regard to the figure, but I think I am right in saying that the tariff value to-day on dry arsenicated cow hide is 5 annas a lb. and we have to pay 15 per cent. of this 5 annas. If we ship dry cow hides to any part of the world, with the exception of the Empire, it costs us in the way of duty 3 farthings a lb. That is a difficult tax to contend with.

13400. *Q.* Is the tariff valuation based on the different qualities of hides that are shipped?

A. No, Sir. It is a uniform one. It does not matter if sell a lb. for 4 *d.* or 40 *d.* It is all the same.

13401. *Sir Montagu Webb.*—*Q.* What is the actual variation if you take the best quality of hides and the worst quality?

A. For the best quality you have to pay 13*d.* a lb. and for the worst quality 3*d.* Burma hides are notoriously bad, and the tariff valuation of 5 annas is too high.

13402. *President.*—*Q.* Then you pay less on the superior quality.

Sir Montague Webb.—*Q.* The witness's contention is that there is no superior article in Burma—(Witness—you are right there. They cannot compare with the Indian hides.)

13403. *President.*—*Q.* Then you say "I do not deny that tanning of red country leather can be done in Burma." Then why is not that industry helped by this tariff?

A. The market for that, Sir, is Burma, China and the Straits Settlements. This industry cannot be assisted in any way, because the market is limited. You can only tan a certain proportion and no more. That tanned article is not marketable in the markets of Europe. It is worthless there, and I know it because I have myself tried to sell it and found it impossible.

13404. *Sir Edgar Holberton.*—*Q.* All hides are not valued at the same rate?

A. I did not say all hides. I said dry cow hides.

13405. *President.*—*Q.* Slaughtered hides fetch a higher price.

A. If they are treated as they are treated in India, *i.e.*, framed. Otherwise they all go into one quality.

13406. *Q.* In Burma you have only one quality, whether slaughtered or dead?

A. Yes.

13407. *Q.* Then, your whole point I take it is that the Burma hide is of an inferior quality.

A. Yes.

13408. *Q.* That it is not possible to tan them in Burma?

A. Yes.

13409. *Q.* That the duty imposed is, therefore, not beneficial in helping the development of a new industry?

A. It never will be.

13410. *Q.* And that the amount of tax is very heavy as it bears unduly on the inferior quality that Burma produces?

A. Yes.

13411. *Sir Maneckjee Dadabhoy.*—*Q.* Then you advocate the entire repeal of this duty?

A. Yes, Sir.

13412. *Q.* Will you be able to do any business if this duty is altogether repealed?

A. I am prepared to have a try.

13413. *Q.* On the basis of your loss, it seems you are not likely to make a profit even if this duty is repealed?

A. I am prepared to try.

13414. *Q.* You are losing Rs. 1,00,000 a year, but if this duty is repealed, you think your industry will be in a better position?

A. Yes.

13415. *Q.* Still you will be working at a loss?

A. Not of necessity. If I can do a large enough amount of business with this duty let off, things would be very much better to-day.

13416. *Q.* If this 15 per cent. duty is removed will it help you?

A. It will help me: it is going to give me 3 farthings a lb. on dry cow hides.

13417. *Q.* Your loss is partly due to the general depression in trade?

A. Yes.

13418. *Q.* Your hides, you say, are of very inferior quality?

A. I scarcely think it is necessary to make the statement: it is a generally recognised fact.

13419. *Q.* You mean compared with Indian hides?

A. Yes.

13420. *Q.* Do you want relief only for the inferior grades or also for the higher grades?

A. For everything.

13421. *Q.* What is the quantity of goatskins exported from Burma?

A. Very very small: perhaps 60,000 to 100,000 skins per annum.

34222. *Q.* And what proportion does it bear to the total hide trade of Burma?

A. A very small one.

13423. *Q.* Do you want relief also for goatskins?

A. They won't personally affect me at all, but I would certainly have them classed under hides.

I think to-day the tariff on goatskins is 8 annas a skin.

13424. *Sir Edgar Holberton.*—*Q.* It is 15 per cent. of Re. 1, *i.e.*, 2 annas and 6 pies a skin. What is the price of a goatskin at present?

A. I know when the duty was first imposed it worked out to 3 pence a lb. To-day the price of goatskins is Re. 1-12-0 a skin. It is sold by lbs. and a skin is about 2 lbs.

13425. *President.*—*Q.* So you are paying very much less as duty.

A. But it is not being exported.

13426. *Sir Maneckjee Dadabhoy.*—*Q.* Are not goatskins a monoploy of India?

A. Yes.

13427. *Q.* Of course what we have to do for India we will have to do for Burma also. Would you recommend then a repeal of the duty on goatskins, if it is considered that the Indian trade in goatskins is also suffering from duty?

A. If that is the case, I do not think that I should speak on it: that is for India to speak on.

13428. *Q.* You say that tanning will never be a successful industry in Burma because temperamentally the Burman is unsuited for the work?

A. Yes.

13429. *Q.* But can you not tan with imported labour?

A. I have said that it takes 4 times as much as India can get labour for, and that too very unsatisfactory labour.

13430. *Mr. Jamnadas Dwarkadas.*—*Q.* You make a reference in your statement to the proposition that was moved by Mr. (now Sir Donald) Pickford. You know that that proposition was defeated in the Assembly?

A. Yes.

13431. *Q.* Do you know that that was because in a year of heavy deficit the Assembly was not prepared to curtail any item of revenue, and not because of the Assembly's conviction that the export duty was in itself good?

A. That I do not know.

13432. *Q.* Well, I can enlighten you on that point. It appears quite clear from your statement that Burma is likely to suffer most, but would you mind answering this question: the rest of India also, so far as the traders in hides and skins are concerned, are suffering heavily, and would you in their interest too entirely repeal the duty?

A. Certainly.

13433. *Q.* You have also made a reference to Sir Logie Watson's speech in the Assembly. You know that Sir Logie Watson is an expert in this trade, and he claims in his speech to have 32 years' experience. He advocates the tax and he says it would help the tanning industry in India. How do you reconcile his statement with yours?

A. If you ask Sir Logie Watson whether his tannery has been successful or not, I think he will himself admit that it has not been. I think his books will show that.

13434. *Q.* Sir Logie Watson himself deliberately says that his tannery did not pay that year. He himself admits that the duty has not done good to his industry. In theory he believes it would.

A. Sir Logie Watson did deliberately turn round in the Assembly and say that he still wished the tax to be inflicted on us in order to get revenue.

13435. . Revenue was the main consideration at that time.

A. But that was not the reason of the imposition of the tax originally.

13436. *Q.* There are one or two questions about goatskins. Sir Logie Watson said that goatskins were largely exported to America. He said we used to export about 1 million skins. What is the position to-day?

A. They are still exporting them to America in large quantities, but America is a most sympathetic market, *i.e.*, most excitable, and now they won't take goatskins.

13437. *Q.* Is it because of the price or is it due to the export duty?

A. It is due to the slump.

13438. *Q.* You say slump and export duty?

A. Yes.

13439. *Q.* These goatskins are used for making glace kids?

A. Glace kids and patent leather. America takes the largest quantity from India, and as I have said manufactures 75 per cent. of the glace kids in the world.

13440. *Q.* You mean to say that France and England make nothing?

A. In France they make gloves.

13441. *Q.* Is there any likelihood of India making glace kids?

A. India cannot do it owing to climatic conditions.

13442. *Q.* Would you also advocate the repeal of the duty on goatskins.

A. Yes. I would like to point out one thing in this connection. During the war the Government of India forbade the tanning of these goatskins in India in order to conserve tanstuffs. They were then tanned, I think, in the Mysore State in a private tannery. There they were turned into country leather and exported, but the quantity was very very small. India could not tan all her goatskins: she could at the most sell it as rough white leather.

13443. *Mr. Mant.*—Q. I understand that the valuation is made in consultation with the trade. Have you represented the matter to the authorities?

A. Yes. I put in an application for a reduction of the duty. I have not yet had a reply. I regret to say that that is the way in which we in Burma are treated.

13444. *Q.* To whom did you write your letter?

A. To the Chief Collector of Customs. All letters have to go through him.

13445. *Q.* You did not consult him verbally?

A. I think I have spoken to him three or four times. He always replied that India had not replied to him. I think he blames Simla.

13446. *Q.* I presume the same difficulty is felt in India?

A. Yes.

13447. *Q.* And they probably also represented the matter?

A. Very likely they might have.

13448. *Q.* Perhaps there is some difficulty in distinguishing the different qualities of hides. Supposing you divide them into classes with different tariff valuations, would it be possible for the Custom Officers to assess them?

A. Oh yes. You have only to declare the class and it will be very easy for them to assess by simply having a copy of the invoice with the price shown thereon. As a matter of fact that was my suggestion.

13449. *Q.* You think that this would be possible?

A. Yes.

13450. *Mr. Coyajee.*—*Q.* As the producer of raw hides has Burma suffered any loss on account of this export duty?

A. She must have.

13451. *Q.* It has been suggested to this Commission that the slaughtering of cattle in India has been curtailed as a result of the export duty. Is that your experience in Burma?

A. No, I don't think that the tax has had that effect.

13452. *Q.* We were also told that the price of beef and mutton has risen on account of this export duty, because fewer animals were killed. You don't think that this has been the case here?

A. Yes, the price of beef has certainly gone up.

13453. *Q.* Do you connect this with the export duty?

A. No, I simply connect it with the slaughtering of animals.

13454. *Q.* Don't you connect it as the cause and effect of the export duty?

A. I have not thought of it in that way.

13455. *Q.* We were told in India that the export duty on hides has resulted in the slaughtering of fewer animals and a consequent increase in the price of beef.

A. There is a distinct difference between India and Burma. In Burma we do not slaughter animals to the same extent as they do in India. The Burmans are Buddhists to start with. They will not think of killing a cow to get meat.

13456. *Q.* Now coming to the point of view of the tanners, we must distinguish between two things. First of all, the slump must cause loss to the various tanneries. But the export duty on hides and skins must benefit the tanners.

A. At any rate I cannot find any difficulty for tanners at all.

13457. *Q.* You argue that since the introduction of this tax into Burma the tannery of the London-Rangoon Trading Company and some of the native tanneries have closed down entirely. It does not mean that you attribute this to the export tax?

A. No.

13458. *Q.* You mention that only as a fact?

A. Yes.

13459. *Q.* You say that the Burman never has been a tanner and never will be. How then were there so many tanneries working here before the tax was levied?

A. They were worked by the Muhammadans and the Chinese.

13460. *Sir Montagu Webb.*—*Q.* Can you tell me exactly what differentiates Burma from the rest of India in this problem?

A. Well, the animal of Burma is a different species from the animal of India. It is a small one.

13461. *Q.* Do you suffer anything thereby?

A. No, we suffer from bad flaying.

13462. *Q.* Do you mean to say that your hide is a small one and of much lower class for market purposes?

A. Yes. Therefore the duty hits you hard.

13463. *Q.* That is the consequence?

A. Yes.

13464. *Sir Edgar Holberton.*—*Q.* With reference to tanneries in reply to Professor Coyajee you said that they were run by the Muhammadans and the Chinese. But were they in existence before the war?

A. Yes. They were established long ago. But most of them are now closed.

13465. *Q.* Do you mean to say that the export duty was intended to benefit the tanning industry and not for revenue?

A. Yes.

13466. *Q.* Did the London-Rangoon Trading Co. come into existence as the result of this protection?

A. I think it came into existence in 1919 September.

13467. *Q.* While they had to provide boots for the army they also hoped to produce merchantable leather?

A. Yes.

13468. *Q.* When they started the factory they found they could not work the business?

A. They could not market their stock.

13469. *Q.* The protection did not affect them one way or another?

A. No.

13470. *Q.* As an exporter of hides, do you find the 5 per cent. preference of any good?

A. You mean 10 per cent. rebate. Well, it does not do me any good at all as an exporter, because the buyer grabs it.

13471. *Q.* Who pays the 5 per cent.?

A. I do.

13472. *Q.* You don't get it back?

A. No.

13473. *Q.* Anything you get back is a piece of good luck?

A. I do not possess much good luck.

13474. *Q.* As a matter of fact, did the actual volume of trade drop last year?

A. Yes.

13475. *Q.* When you give the figures on the first page of the Statement, do you wish to show us that your loss would have been very much smaller had there been no export duty?

A. Yes.

13476. *Q.* If there was no export duty, you might possibly be successful?

A. I do not think so to-day, but we should be better off and successful certainly later on.

13477. *Q.* Is your business on a perfectly sound basis?

A. Yes.

Witness No. 92.

J. MacKenna, Esquire, C.I.E., I.C.S., M.L.C., Development Commissioner, Burma.

Written statement.

13478. *Q.* The keynote to this enquiry is struck in the first question of the *questionnaire.* I am a free-trader, and I venture to think that it is by a policy of free trade that India is likely to progress. In a country with the dense teeming population of India the interests of the consumer must be placed before those of the producer and the ultimate prosperity of the country, both industrial and agricultural, will be better served by admitting as cheaply as possible products of other countries which are consumed in this country rather than by making them expensive in the hope that this will give a larger margin of profit to a possible or problematical manufacturer of such articles in India. The great asset of India is the cheapness of living and the consequent cheapness of labour. These assets are rapidly disappearing and the quicker they disappear the less able will India be to compete with other countries such as Japan and China, which have these assets in greater strength. An increase in the cost of living means an increase in the cost of production and this increase in the cost of production will seriously handicap any Indian industry whose outturn is small in comparison with the total consumption. If Indian industry is to develop India must be able to buy all her requirements in the cheapest market and any protective tariff which raises the price of necessaries or closes the cheapest markets to her will raise the cost of articles produced in India and possibly lose her her markets. The country is predominantly agricultural, and everything that tends to cheapen agricultural production must be encouraged.

13479. *Q.* 2. This enquiry, however, really divides itself into two well defined issues :—

(*a*) whether the tariff should be used purely for revenue purposes or for other purposes also;

(*b*) in the latter case, what these purposes should be and how they are likely to be effected.

With regard to the first point, the imposition of customs duty for the purpose of obtaining revenue is absolutely necessary and justifiable and possibly forms a more suitable form of taxation for India than direct taxation. I am not however prepared to say that if fresh taxation were necessary I would prefer an increase in customs to an increase in direct taxation. It is a mistake to depend too much on indirect taxation. An excess of this may lead people to limit their purchases, thereby reducing their payment of the indirect tax. There is also the risk of smuggling if indirect taxation is overdone. On the other hand direct taxation is obvious and is unpopular; people are apt to complain of direct taxation and say that it hampers production. But direct taxation, so long as it is not too excessive, is undoubtedly an incentive to increased production and increased taxation is defeated by increased production. It is under direct taxation that there is an incentive to invention, to the discovery of labour-saving appliances, and to a rigid economy in men and material.

13480. *Q.* 3. The present Tariff List seems fairly exhaustive and is largely protective of articles which can be manufactured in India while raw material necessary to the working up of Indian industries is admitted free or at a nominal rate. The rate of 75 per cent. *ad valorem* on cigars and cigarettes is, however, very high the more so that a large quantity of cigarettes imported from Aden are manufactured from Indian tobacco and only retain their position on the market even with the high tariff, on account of their great superiority of manufacture. It is also open to question whether the high rate of import duty on motor-cars, which have passed outside the category of luxuries, and may now be almost regarded as necessities, is not unduly high.

13481. *Q.* 4. Accepting the principle that a customs tariff is necessary for revenue, the present policy seems to me to be sound, *i.e.*, it encourages the free admission of what is necessary to manufacture and penalises what may be called luxury articles as also the non-essentials or products most of which can be obtained in India. I would only add that, as the proportion of the Indian population which consumes imported goods is a comparatively small one, and is also the same part of the population which already pays most in other taxes, the effect of the tariff is a very unequal distribution of taxation. I am not, however, aware that any one affected is anxious to shift the weight from those who can afford it to the toiling masses.

13482. *Q.* 5. I do not consider that the existing tariff policy has had any particular influence one way or the other on the development of industries. There is a very prevalent idea that protective duties can counteract inefficiency of manufacture or low quality of production. This is an absolute fallacy as goods must compete in the markets of the world on their quality and not behind the shelter of a protective tariff. The present system of taxation, which admits the raw material for manufacture at a favourable rate is the only real assistance that a tariff can give to an industry but the subsequent success of the industry depends on the efficiency of the workman and of the management. In any case, if one accepts the tariff simply as a revenue matter, one would not expect it to have any definite effect on industries nor, as long as it remains a purely revenue tariff, is it likely to give very much benefit to Indian Industries. On the other hand it may, as in the case of the export duty on hides, have a definite effect in killing one line of commerce without at the same time benefiting the tanning industry. I notice that the Calcutta Hides and Skins Shippers Association consider that the export duty has failed to attain its purpose and has come to the conclusion that India is not suitable for the tanning industry. The recent increase in the import duty on matches, however, has had a definite effect in stimulating the manufacture of matches within the Indian Empire. I do not consider that the tariff should be framed primarily with the object of fostering Indian Industries. As I have already explained, in the present circumstances the interests of the consumer are far more important than those of the producer; and, if it is necessary to help the producer, it should be done in other ways rather than at the cost of the consumer, for import duties or excise duties or duties of any kind at all invariably raise the price to the consumer.

13483. *Q.* 6. I do not approve of imposing an excise duty on an article manufactured in India when a duty is imposed on a similar article imported from abroad. Personally I consider the Bmbay cotton excise duty as one of the most unjustifiable measures ever taken. I do not consider that it has had the slightest effect in retarding the development of the Bombay cotton industry which has steadily advanced in the spinning of higher and higher count It is possible perhaps that the maximum counts which can be spun in Bombay may almost have been reached, firstly, on account of climatic causes and, secondly, on account of the quality of cotton with which they have to deal. But there seems to me to be no reason why Lancashire should not hold its own in the higher counts, for which it is famed, without the artificial support of an excise duty on Indian cotton goods. I cannot imagine any policy more unjustifiable than to attempt to retard industrial development in one part of the Empire by imposing an excise in the interests of another part of it. As a free trader I do not consider that protection of any kind should be afforded to the home manufacturer, by which term I mean the Indian, as against the foreign manufacturer (at least this is the way I read Question No. 7). Given equal opportunity in the way of purchasing raw material the best article will always find the best market without any artificial support.

13484. *Q.* 9. As I have already said, I do not consider that the tariff should be framed primarily with the object of fostering industries.

13485. *Q.* 10. As an amateur economist, I cannot visualise the Utopia adumbrated if the answer to the first portion of Question No. 10 were in the affirmative. I cannot conceive any country in the world, or at least any country taking its place in the comity of nations, as being independent of other countries in regard to all its requirements of manufactured goods. Such a position would entirely cut out international trade which is fundamental and never likely to be abolished and it would also place the country outside the scope of international exchange. My answer to the first part of the question is in the negative; but even if it were in the affirmative it would be quite impossible to furnish a list of articles for which India would have to depend on other countries, as I cannot conceive a country absolutely self-contained or standing aloof from other nations. As I have said, such a country would be an Utopia which would not be likely to last for long if business men followed the ordinary ways of business. In fact it would break down at once for the intelligent

manufacturer would certainly discover sources outside of India from which he could draw his raw material and would be certain to go to them. Economic self-containment, if it were possible, would result in economic death.

13486. *Q.* 11. I think it would be a very short-sighted policy to impose protective duties on all imported manufactures for the purpose of developing Indian industries. With the exception of agriculture Indian industries are in their infancy and the levy of protective duties does not seem to me to be the correct way to encourage an industry in a country where the interests of the consumer are still more important than the interests of the producer. The effect of the imposition of protective duties on all imported manufactures would probably be to starve India of many articles which are real necessaries during the transition period till she herself is capable of manufacturing them. The best way of stimulating Indian industry is to admit raw material which it is necessary to import at as low a tariff rate as possible and to give greater facilities by the extension of technical institutions for training in industrial pursuits so that ultimately on the quality of her goods, and on this alone, Indian industry can compete with the industries of other countries.

13487. *Q.* 15 is an extremely difficult one. In the first place it is complicated by the existence of the "most favoured nation" clauses. As regards dumping, Mr. Holme, my Director of Industries, remarks that "from one point of view it does not seem very much a matter of concern to the Government of India if the Government of Japan likes to pay half the cost of production of the matches or the cotton cloth made in Japan and consumed in India. It seems to me extremely nice of Japan to be willing to relieve the poor Indian consumer of this burden. If they only carry it out to a logical conclusion, India would then be able to manufacture in comfortable competition with Japan itself." In point of fact I think it will be found that where a particular article requires the assistance of bounties, subsidies and transport concessions to get a position in the foreign market, this again is counteracted by an inferiority in quality which is likely to drive the article out of the market whatever assistance it may get in the country of origin. If, however, the dumping of any particular article from any particular country were clearly indicated,—facts which should be ascertainable by our consuls and commercial agents,—and if this were an article which competed with an important industry in India or an industry which it was our desire to foster, it might be for consideration whether a countervailing protective duty should not be temporarily imposed against this particular article in the particular country from which it came. Personally, however, I am not much alarmed by "dumping." "Dumping" cannot go on indefinitely—it means the sweating of the labour of the country which goes in for it. The country on which goods are dumped benefits temporarily even if the particular industry, the products of which are dumped, does not. There is more money available for the purchase of other goods and the standard of living can be raised. On the other hand "dumping" might temporarily hamper particular industry, but the will to succeed and to improve production in a free country will soon wear down the sweated labour of a country which dumps and the non-dumping country will make good by the superior quality of its productions.

A country which dumps must, if things are carried to their logical conclusion, ruin itself by the fact that the nation pays for the dumping, the working population are sweated and the cost of living in the dumping country raised. If one industry is protected by "dumping" you must protect all industries by a similar method; the people will pay higher for their necessaries themselves; the work people are strained to the utmost limit and there will be a natural deterioration in the *personnel* of the working classes.

13488. *Q.* 16. In Burma the principal hand industries, of which the cotton and silk handloom industries are the most important, are largely industries subsidiary to agriculture. Our policy is to encourage these handloom industries and particularly the cotton handloom industry. This, however, does not mean that one wishes them to be maintained in competition with the mill industry. They are two spheres of activity which are entirely different and we find similar survivals, especially in Scotland and Ireland, in the homespun tweed industry. If even at this late stage the handloom industry still succeeds in India, as it certainly does, it is firstly because there is still a demand for a certain amount of very high grade material for which people are prepared to pay high prices to get that peculiar something which only hand work can give and in which the soulless machine cannot compete. In point of fact a very large importer of piecegoods in Rangoon has told me that within recent years there has been a most marked improvement in handloom weaving and that some of the fabrics turned out compare most favourably with those which he can import. I understand he is prepared to go into the market for large quantities of the products of these handlooms. Again in Burma at present it must be remembered that there are many places which are hardly accessible and in such places the handlooms will persist whether we wish to maintain them or not. Finally as I have said before, handloom weaving and many other hand industries should be regarded as industries subsidiary to agriculture and as giving employment to the members of the household in their spare time. Although the article may not be able to compete with the machine made article, it still enables the worker to get some return for labour during the slack agricultural season and so gives him another string to his bow and a means of livelihood when agriculture fails. As Mr. Holme remarks, "even though he could not live by this hand industry alone, an industry which perhaps remunerates his labour at the rate of 4 to 6 annas a day for five or six months of the year, it is still an industry which adds to his annual income perhaps half as much again as his return from the agricultural adventure of an average season." I do not, however, consider that any special protection is necessary for the handloom industry. It is traditionally well established and is, I think, with the development of technical education, likely to expand rather than decline. It is a particularly pleasing variant of the somewhat dull monotony of an agricultural home.

13489. *Q.* 17. I think there is a very great danger of protection leading to combination among the protected manufacturers and the risk of their attempting to maintain a *quasi* monopoly price. This combination might be somewhat late in coming on account of the vast area of India and the organisation and combination necessary to get all protected manufacturers of one commodity into a combine; but, as manufacture develops, I think it is bound to come and to my mind the only remedy is extensive import from outside which must not be imperilled by a high tariff while in extreme cases it might be necessary for Government to impose price control. The latter, however, is an extremely complicated and undesirable method of dealing with the problem.

13490. *Q.* 18. If a protective policy were adopted British and foreign industrial firms would certainly endeavour to establish themselves in India in order to get the benefit of a protective tariff. If a protective tariff be favoured such a movement should be welcomed as being undoubtedly the desired result of the protective tariff and enabling India to develop her industries with the benefit of foreign capital.

I have no reason to believe that the clash of interests which one finds in other countries would be absent from India. I think that it would be extremely strong in India and might even exist between one province and another. I can suggest no method by which any Imperial Government could reconcile them. The task would be thankless and almost impossible.

13491. *Q.* 20-23. With reference to Questions Nos. 20-23, it is, I should think, almost universally accepted that the whole of any import duty, and probably a little more, is passed on to the consumer in the rise of price. The rise of price must be permanent until the article is produced in greater quantities than the country requires and even then the price is not likely to be lowered to the consumer until considerable competition within the country has eventuated. I think it would be a great mistake to accept an increase in price to the Indian consumer for the sake of possibly developing an Indian industry which may or may not be suitable for Indian conditions.

With reference to Question No. 23 necessaries of life must be considered as the necessaries of the vast agricultural population of the smaller type and in their case the question of imported goods hardly arises.

13492. *Q.* 24. I consider that the increased cost of living due to an increase in the tariff rates would ultimately be covered wholly or in part by a rise in wages or salaries in the cases indicated but the process would be slow. The policy of protection would eventually raise the cost of living inside the protected tracts and to that extent might temporarily favour agriculture at the cost of industrial development; but, as the increased cost of living would generally be reflected in the cost of agricultural production by an increase in agricultural wages, the little advantage even to the agriculturist would only be temporary and the progress of the country would be retarded by an increased cost of living necessitating increased wages and, later, increased cost of production. All these factors are direct obstacles to the development of commerce and industry.

13493. *Q.* 25. I do not consider that a policy of protection would have any very immediate effect on the foreign trade of India as this is very largely in the export of raw materials. But until the standard of manufacture very materially improves there is a danger that a protective tariff might be the deciding factor in killing export while such a tariff would raise the price of things to the people in the country who would ordinarily have to use them if there were no export market.

13494. *Q.* 26. I do not consider that India should use any tariff as an instrument for bargaining with other countries. There are very few articles for which India is absolutely dependent on any foreign country. Most of the articles which she imports from outside are offered to her under strong competition by one of three or four powerful producers—the United Kingdom, the United States of America, Germany and Japan. This competition enables her to enjoy a very favourable position in the world as one of the world's best consuming customers and she needs no tariff in order to get favourable terms.

13495. *Q.* 29. If a policy of protection were adopted, I would favour some permanent organisation, free from all selfish motives, to investigate the claims of various industries to protection from time to time and for the periodical re-adjustment of tariff rates. Unfortunately, however, Adam Smith's maxim still holds good that self-interest is the motive of all human action and in questions of protection one will generally find that everybody is extremely anxious that the particular trade in which he is engaged should be protected but would prefer that others which supply him with his raw materials or with the necessaries of life should not be so protected.

13496. *Q.* 30-31. I consider that the main object of export duties is for the purpose of raising revenue. They can be applied in the case of a monopoly article, such as jute, to the point at which there is no risk of driving the product out of the market because the price has become excessive or such as to induce a search for substitutes. This principle also applies to all exports. An export duty must not be raised to a point where it imperils the demand for a particular article; for instance, if the export duty on rice is raised too high it is not improbable that the demand for rice will cease and some other food crop will be substituted in its place.

13497. *Q.* 32. I would not impose an export duty on a raw material in order to encourage its retention in India either for purposes of manufacture or for any other purpose. It is only necessary to quote our experience in the case of the export duty on hides. So far as Burma is concerned, it has had the definite effect of killing one line of commerce without benefiting the tanning industry at all.

13498. *Q.* 33. I do not consider that it would be an advantage to India to impose an export duty on food-stuffs with a view to controlling their export and thereby lowering their Indian prices and the cost of living. Such a policy would not lower the cost and it would not help the people of the country unless Government controlled the price. A position of this kind arose recently in the Rangoon rice market where because one large rice merchant had practical control of the market the price of rice went to a fabulous height despite the fact that export of rice was controlled in the interests of India. The removal of this restriction did not reduce prices.

13499. *Q.* 34. I do not believe in retaliation any more than in protection.

13500. *Q.* 35-42. The principle of imperial preference is not a course economically consistent with an out and out free trade belief but wider considerations affect the question; and I would be prepared to leave the present preferential duties as they exist. As they stand they are very largely in favour of India and I would not alter existing arrangements.

Oral evidence dated Rangoon the 26th January, 1922.

13501. *President.*—*Q.* Mr. MacKenna, you are the Development Commissioner for the Government of Burma?

A. Yes.

13502. *Q.* Will you please tell us on what grounds you base your opinion that a free trade policy will conduce to the ultimate prosperity of the country?

A. The whole development of India is based primarily on agriculture which is the principal industry. The policy therefore ought to be to keep down the cost of production of the agricultural products upon which other industrial development will be based, at as low a point as possible, by the free import of raw materials necessary for the development of agriculture with a view to the agricultural products of India being sold at a price which will command demand.

13503. *Q.* Will you tell me what you mean by raw material for the development of agriculture?

A. Machinery and possibly to a less extent artificial manure.

13504. *Q.* If India adopted a protective policy it would be possible for her to regulate her tariffs in regard to the import of machinery and artificial manures at the cheapest rates, or even free?

A. Yes.

13505. *Q.* Therefore it is not absolutely necessary that India should be a free trade country in order to reduce the cost of the agricultural products?

A. Possibly not.

13506. *Q.* Every country which adopts a protective policy regulates its tariffs on those lines. Therefore that argument is not conclusive in favour of free trade. It can be done even under protective tariffs?

A. Quite so.

13507. *Q.* Do you think that the industrial development of a country is conducive to its economic prosperity?

A Certainly.

13508. *Q.* Do you therefore think that efforts should be made to develop industries in India?

A. Yes, certainly.

13509. *Q.* If, on enquiry, it is found that with a view to develop industries it is necessary to give protection by means of tariffs or otherwise for a certain period of time would you object to that?

A. It is of course against my general position. But if it were found necessary and considered expedient that such protection should be given for a brief period, I do not see any very strong objection to it.

13510. *Q.* You agree that it would be to the economic advantage of India to manufacture, apart from producing raw materials for her use?

A. Surely.

13511. *Q.* And if in order to be able to do so, it is found that certain State assistance is necessary, you would not object to it?

A. If it be in the preliminary stage, I do not object. But when the industry has become self-supporting there is no object in giving State assistance.

13512. *Q.* I think it must be in the form of protective tariffs.

A. Not necessarily.

13513. *Q.* In answer to Question No. 11 you say that "the effect of the imposition of protective duties on all imported manufactures would probably be to starve India of many articles which are real necessaries during the transition period." Can you name some of these articles?

A. I cannot do so at the moment.

13514. *Q.* You say that the best way of stimulating Indian industry is to admit raw materials which it is necessary to import at as low a tariff rate as possible and to give greater facilities by the extension of technical institutions, etc. Do you know any country which has developed its industries on the lines indicated?

A. Great Britain.

13515. *Q.* Did not Great Britain start her industries under protection?

A. Her greatest development took place under free trade.

13516. *Q.* Can you not name any other country?

A. No.

13517. *Sir Edgar Holberton.*—*Q.* The principle underlying your paper really is that you consider India to be essentially an agricultural country, is it not?

A. Yes.

13518. *Q.* And your principle, of course, applies with all the greater force to Burma?

A. Yes.

13519. *Q.* India is admittedly a dependent country?

A. Yes, I suppose it is.

13520. *Q.* Do you or do you not think that Burman agriculture is in an exceedingly primitive stage?

A. I do. The Government may assist the development of agriculture by opening demonstration farms, giving industrial training and so on.

13521. *Q.* The direction in which you would like to have Government assistance is more or less from a training point of view rather than from a tariff point of view?

A. That is my principle. I would first of all give assistance by repayable Government advances, by the development of banking systems and better monetary facilities for industries.

13522. *Q.* What would you do for agriculture?

A. We have a department trying to improve it.

13523. *Q.* Are there other ways in which Government can give assistance?

A. Yes, on the lines in which the Agricultural Department are working.

13524. *Q.* Do you think they are on sound lines?

A. Yes.

13525. *Q.* What would be your views about an export duty on food-stuffs?

A. I am not particularly in favour of it. My principal reason is that rice, of which we have no monopoly, might seriously suffer from competition.

13526. *Q.* Do you think that the system of Government control which came in during the war was of assistance to agriculture or otherwise?

A. I do not think it was of assistance to agriculture.

13527. *Q.* Did it have the effect of extending the area under cultivation?

A. I have not studied the figures; but as far as I remember the area under cultivation continued to be much the same.

13528. *Q.* We have asked a good many witnesses whether, supposing it is found necessary, owing to famine or other emergency reasons to safeguard the food supply, it can be better done by Government control or by export duties. Have you considered that question?

A. Some people say it is better to have Government control and others that it is better to have export duties. But so far as Burma is concerned, I am in favour of export duties.

13529. *Q.* You say that direct taxation is unpopular. What do you mean by 'unpopular'?

A. It is too obvious.

13530. *Q.* You mean that nobody likes it?

A. Yes.

13531. *Q.* It is only unpopular among the thinking class, just a few people. It is not unpopular with the masses?

A. No.

13532. *Q.* You say that direct taxation is an incentive to increased production. Do you mean to say that it is also an incentive to increased efficiency?

A. Yes, I say that in the next sentence.

13533. *Q.* You say that increased taxation is defeated by increased production. What do you mean by that exactly?

A. I mean to say that the production would be so great that the tax will not be so noticeable. It will have probably the result of stimulating production.

13534. *Q.* Something in the nature of improved production?

A. Yes.

13535. *Q.* Paragraph 6 of your statement deals with the question of excise duties. You speak of the attempt to retard industrial development in one part of the Empire by imposing an excise in the interests of another part of it, as unjustifiable. That of course refers to the original imposition?

A. Yes.

13536. *Q.* Suppose the financial position of the Government of India was such that further taxation was necessary (possibly only for a temporary period) and that, instead of definitely raising the import duty and the excise duty, they put on both the manufactured article and the imported article an extra tax of say 3½ per cent. and call it a consumption tax. This system is at present in force in Japan. Do you think that that would be a suitable method of raising revenue by tariff?

A. It seems a suitable method. It will leave the present protective effect of the import duty exactly where it was.

13537. *Q.* Really the meaning of my question is that you would in that way introduce a system of taxation which would weigh equally heavily both on the manufactured article and on the imported article. That is the point about this consumption tax. Have you ever considered that that is a suitable means of raising money?

A. No. I have not considered it, but it sounds attractive.

13538. *Q.* With reference to your answer to Question No. 15 we have had many definitions of dumping. Could you give me your own definition of dumping? It has sometimes been defined as the selling for export of goods at a price below the over-head cost of production. Would you accept that?

A. Yes.

13539. *Q.* If you accept that, carrying things to their logical conclusion you would apparently arrive at the conclusion which you have arrived at in your answer. With reference to your answer to Question No. 29 could you give us any sort of idea of what your permanent organisation would consist of? Could you get one which would satisfy your requirements?

A. It is extremely difficult, I must confess. You might get abstract economists like Professor Coyajee, bankers and financiers, etc.

13540. *Q.* You would not have any people engaged in business?

A. It is quite impossible to limit it in that sense.

13541. *Q.* Would your committee be a standing salaried committee or would it meet at intervals as and when required in an honorary capacity?

A. I should think it would be enough to call it once a year. Generally it would depend very much on the general financial position of the country and might therefore meet at the time of the presentation of the Imperial budget.

13542. *Q.* You would convene the meeting of the committee some time about the budget time, and you would review your industries then?

A. Yes.

13543. *Q.* You think that that body would really be competent to select industries which require protection?

A. I think we should get a body of men capable of doing so. I do not think there would be any great difficulty in doing so.

13544. *Mr. Narottam Morarjee.*—*Q.* In view of what you say about dumping in your answer to Question No. 15, would you regard the Safeguarding of Industries Act in England as an ill-advised measure?

A. I should not say so. It was with reference to a peculiar set of circumstances and when conditions were abnormal.

13545. *Q.* Would you advise the giving of protection to some industries subsidiary to the key industries in India?

A. I should like to give assistance. But I would not do that by means of the tariff.

13546. *Q.* That will depend on each particular case?

A. I should certainly like to see some kind of assistance given during the nascent period, which should be by means of financial advances or any other thing, on the understanding that the money should be paid back.

13547. *Sir Montagu Webb.*—*Q.* In your official capacity of Development Commissioner what are you developing more particularly? Are you developing both agriculture and industries in Burma?

A. Agriculture, Industries, Co-operation and allied subjects.

13548. *Q.* I understand that your standpoint is that while you recognise the desirability of giving both agriculture and industries every possible assistance, you don't consider that the tariff is the best way to do it?

A. That is my view.

13549. *Q.* You think that the levying of protective duties is not the best way because you consider that India is largely an agricultural country and therefore the interests of the *consumer* must predominate?

A. Yes.

13550. *Q.* Could you tell me one or two countries where the interests of the *producer* predominate rather than those of the consumer? Could you give me one or two examples where the situation is unlike that of India, where the interests of the consumer do not predominate?

A. I should say England and Scotland.

13551. *Q.* Are these countries places in which you do not consider that the interests of the consumer predominate?

A. No, I do not think so.

13552. *Q.* Why I am asking you is because if the interests of the consumer do not predominate then, I take it, that England and Scotland's trade policy ought to be protected in that they should give their attention to the producer?

A. Yes. You can turn it round that way.

13553. *Q.* Taking agriculture first, could you suggest any means by which agriculture could be assisted by means of the tariff? I think you suggested to the President that all materials required for agriculture should be allowed to come in duty free. I believe agricultural implements pay only a duty of 2½ per cent.?

A. I do not know if agriculture requires any further direct assistance.

13554. *Q.* Coming round to the industrial side, you do not consider that there is any means by which the tariff may be properly employed to encourage industrial development?

A. I would rather not do it through the tariff. An industry might receive temporary assistance in the early

stages, but when production becomes sufficient to compete in the general markets of the world there should be no assistance at all.

13555. *Q.* We were told yesterday that the oil industry could not be expected to flourish without protection and that it must have a 20 per cent. import duty or more as at present. If it be desirable to keep the oil industry going, how are you going to do it other than by means of the tariff?

A. I am not prepared to admit the statement that the oil industry could not flourish without a protection of Re. 0-1-6 per gallon.

13556. *Q.* Putting it merely as a hypothetical case, how would you support the production of oil? Would you support it by a bounty payable to everybody who produces a certain quantity of oil?

A. No. I do not think I should.

13557. *Q.* I want to get exactly at your means of encouraging the development of industries. How are you encouraging the development of industries in this province? By what means are you going to do that?

A. The industries developed themselves before we began to encourage them, principally rice, and timber. Government has not done anything in the way of direct assistance.

13558. *Q.* What about this 1 anna 6 pies import duty on oil? That must act as a powerful stimulus to the oil industry?

A. The oil business covers a much wider ground than the mere Burma production. It is a highly organised world business.

13559. *Q.* You think they would go on refining oil even without any tariff?

A. I think so.

13560. *Q.* To sum up your points of view I think that you are quite prepared to give encouragement to both agriculture and industries but that you would not give encouragement by means of the tariff. You would give it by advances, bounties or some other processes?

A. Yes. I would give temporary assistance.

13561. *Q.* You think that would be more economical in the long run?

A. I think it would, provided that we make a condition that the advances made should be repaid..

13562. *Q.* Why?

A. I do not see why they should not repay.

13563. *Q.* We have been told in Lahore that baby industries should be nursed, but I have never heard it suggested that we should recover the cost of nursing the baby from it in after-life?

A. My theory is that what you get for nothing you value lightly.

13564. *Q.* Would you restrict the assistance to be given to encouraging child industries?

A. I would give a judicious amount of assistance.

13565. *Mr. Coyajee.*—*Q.* Could you give me your views as to the possible effects of protection on agricultural costs? You spoke to the President about agricultural machinery. Could you say whether there would be any effect in the line of agricultural wages?

A. I think it is very likely that a protective tariff will mean a general rise.

13566. *Q.* Perhaps in sympathy with industrial wages?

A. I think it will be in sympathy with industrial wages. I think there will be the same process of working up to a general rise in the salary of all classes. The rise in wages will reach the agriculturists last.

13567. *Q.* Do you think that the methods of agriculture in India will tend to become more scientific as manufacturing methods do?

A. We hope so. I do not know whether there will be as much influence in the scientific aspect with regard to agriculture as in the scientific methods with regard to industries. I think there is a distinct cleavage between the two classes of the community.

13568. *Q.* The assumption is that the habit of working on large scale manufactures may lead to large scale working on scientific lines in the case of agriculture. Do you think there is any probability of that happening?

A. It is not very popular in Burma. We have large scale estates, but the tendency is to create small tenants and run them on different lines.

13569. *Q.* I am not talking to you as an expert on Burmese conditions but on the conditions of India with which you are familiar. You may remember that some time ago there was a controversy whether India was likely to be a land of small farms or large farms?

A. Yes, there was considerable discussion about small holdings and the concentration of estates.

13570. *Q.* Do you see any possibility of that, any beginnings in that direction?

A. I see possibilities. We have some fine big estates. I would like to see the farms a little bigger if possible.

13571. *Q.* Coming to your answer to Question No. 33 I submit for your opinion certain arguments that have been put forward for an export duty on food-stuffs. It is argued that in India there is no exportable surplus of foodgrains, and that it would be better therefore to conserve the supplies of food. What is your view?

A. I regret I have not had time to go into statistics. But I should rather think that it is probably very doubtful if the statements are correct.

13572. *Q.* Do you think there is likely to be an exportable surplus?

A. I think so.

13573. *Q.* You think that in a normal year there is an exportable surplus?

A. Yes.

13574. *Q.* Is there any statistical record to which we could have access for solving this problem accurately? Has any attempt been made to get together statistics of production for India?

A. I imagine that Mr. Findlay Shirras has done it.

13575. *Q.* We had from Mr. Hardy a statement. He said that it might be between 60 million and 100 million tons. But the range of error is so large that it is difficult to draw deductions from such figures. There is an argument that only the large agriculturists either benefit by the high prices or lose by the low prices, the idea being that the small agriculturists mainly consume most of their crop and never sell. Have you got any observations on that point of view?

A. Probably the small cultivator has only enough to carry him on from year to year, and the price is therefore of no importance to him.

13576. *Q.* On the other hand, are not the agriculturists most flourishing in those provinces which export foodgrains, like the Punjab and Burma?

A. Yes.

13577. *Q.* If the price of agricultural produce fell could the agriculturist afford to pay a smaller amount in the shape of wages?

A. I imagine that in Burma this probably might happen. I should think that agricultural wages are very largely influenced by the price of paddy and rice. But I would not dogmatise on the point.

13578. *Q.* By an action which would lower agricultural prices by means of export duties the growth of intensive agriculture might be discouraged. Do you think that is at all likely?

A. I do not think so. There is no very intensive cultivation in Burma at all.

13579. *Q.* I mean that it is dependent on it.

A. Theoretically: but I doubt if in practice it would have any direct effect.

13580. *Q.* A certain view was put forward before this Commission by Professor Hamilton as regards direct taxation. It was to the effect that looking to the last 10 or 20 years the agriculturist is paying relatively a smaller amount of taxation in proportion to his resources. If you go back half a century the percentage of revenue paid by the agriculturist was larger in proportion to his resources, but now it is beginning to become smaller as compared to other taxpayers?

A. I should not think that is the case.

13581. *Q.* It was argued before us the other day that on account of the system of food control there was much hoarding of foodgrains by the agriculturist and middlemen, so that there was a smaller supply in the bazaar than would have been the case without control. Have you any views to offer on that?

A. I do not know for certain what happened during the years of control. I was not in Burma.

13582. *Mr. Mant.*—*Q.* Towards the end of your answer in paragraph 2 you say that increased taxation is defeated by increased production. Could you tell me exactly what you mean?

A. Producing more to counterbalance that. Where you have got a heavy tax on any particular article the tendency probably in well-managed concerns would be to defeat the duty by speeding up the production.

13583. *Q.* You merely mean that increased taxation stimulates production?

A. Yes.

13584. *Q.* In your paragraph 5 you say that the recent increase in the import duty on matches has had a definite effect in stimulating the production of matches within the Indian Empire. Have you any match factories in Burma?

A. Yes.

13585. *Q.* Could you tell us how many there are and whether they are doing well?

A. I don't know how they are doing. But they are certainly producing good matches.

13586. *Q.* How many factories are there?

A. There is only one factory working. One factory has been closed down. It may probably reopen.

13587. *Q.* You have already answered several questions in regard to dumping. Your general argument is that any continued system of dumping would benefit the country that receives the dumped articles and would do injury to the country that dumps the article. I should like you to consider the case where a country dumps goods below cost price for a temporary period in order to ruin your industry, and as soon as they have done so, they put up the price again. This class of dumping has been brought to our notice, and I would like to know whether your argument would apply to it?

A. That would not apply to it at all.

13588. *Q.* Would you advocate any special measures against dumping of that kind?

A. I should.

13589. *Q.* You say that dumping might temporarily hamper a particular industry, but I gather that you would be prepared to take special measures against dumping in certain cases?

A. If you look at my answer to Question No. 15 you will find that I have said that if the dumping was against an important industry which we wanted to foster then we might consider whether a countervailing protective duty should not be temporarily imposed against the particular goods from the foreign country.

13590. *Q.* You would be prepared to deal with that kind of dumping by countervailing duties?

A. Yes.

13591. *Q.* In answer to Question No. 26 you say that you do not consider that India should use her tariff as an instrument for bargaining with other countries and that she needs no tariff in order to get favourable terms. We were told by the Jute Association at Calcutta that they were rather afraid of the Americans putting a duty on jute cloth, and that they would want tariff retaliation against it. We were told here yesterday by the rice people that Germany was probably going to raise her duty on rice, and an export duty was suggested on unfinished rice exported to Germany. So we have actually had instances where it has been suggested that hostile action should be met by manipulating the Indian tariff?

A. That would be discriminating against particular countries apparently. I do not believe in tariff wars at all. But I suppose that if the jute people want protection they could have it.

13592. *Q.* I was only pointing out instances against your argument that India does not need any tariff in order to get favourable terms?

A. These two cases, the cases of rice and jute, are specific. Of course we have got to look after ourselves.

13593. *Q.* Then you would be prepared to say that the tariff could be used for bargaining purposes as the need arose?

A. Yes. So far as one particular industry and one particular country are concerned, there may be room for discrimination.

13594. *Q.* Coming to the question of export duties in answer to Question No. 33 you advance a new theory. You say that export duties on food-stuffs would not lower prices in India. Are you not drawing that deduction rather from a single instance in a single market and do you think that that deduction would apply generally to the whole of India? You say that because in the Rangoon rice market it enabled one rice merchant to corner the market, therefore the imposition of an export duty on food-stuffs would never lower the prices?

A. Even viewing it broadly I doubt (though I am not sure) whether it would be possible to control prices effectively.

13595. *Q.* I gather that you don't press that argument. There is only one other question. In your last paragraph you say that you will be prepared to leave the present preferential duties as they exist. What duties are you referring to there? I think that the only preferential duty is the export duty on hides.

A. At the beginning of the questionnaire some of these are mentioned.

13596. *Q.* There it is shown in what direction other parts of the Empire give preference to India and we have to consider now whether we should give any preference in return. I take it that your answer means that we should not?

A. I don't think that we should give any further preference.

13597. *Mr. Jamnadas Dwarkadas.*—*Q.* In answer to Question No. 29, you advocate a permanent organisation, free from all selfish motives, to investigate the claims of various industries to protection from time to time and for the periodical re-adjustment of tariff rates. Could you give us an idea of what the constitution of that organisation should be? Have you thought over the question yourself?

A. I think I should be inclined to have one or two representatives of large industries of India, cotton, jute, wheat, and iron and steel; one or two bankers and an economist. I have not worked out in detail. This is just my idea.

13598. *Q.* What should be the functions of that organisation?

A. I should think discussion with the Finance Member about the necessity of tariff re-adjustments.

13599. *Q.* You mean every year?

A. Of course every year, if necessary.

13600. *Q.* Do you think that if an organisation of the character you have just mentioned is established, then the dangers of protection which you yourself enumerate would be averted?

A. I think that it would be a safeguard.

13601. *Q.* In answer to Question No. 16 you say that in Burma you have a handloom industry?

A. Yes.

13602. *Q.* Now could you give the Commission an idea as to what kind of yarn they use, foreign or home-spun yarn or Indian yarn?

A. I think that a good deal of it is Indian yarn.

13603. *Q.* Does the yarn consist of lower counts?

A. Yes, about 20.

13604. *Q.* They don't use foreign yarn?

A. There is a considerable amount of imported yarn, but I am not sure how much of it goes to the villages.

13605. *Q.* The foreign imported yarn is of finer counts?

A. Yes.

13606. *Q.* Suppose the Commission recommended an import duty on yarn, which is now exempt from duty, would it affect the handloom industry in Burma?

A. Might I look into the matter and send you a reply later as it is an important point.

13607. *Sir Maneckjee Dadabhoy.*—*Q.* I understand from your evidence that you are not in favour of giving protection by way of protective tariffs?

A. No.

13608. *Q.* But you would give protection by way of advances and impartation of technical knowledge?

A. Yes.

13609. *Q.* I would like to know how you would make these advances?

A. The whole question was discussed by the Indian Industrial Commission. I don't think that any better lines have been suggested. In the case of smaller industries I believe in the co-operative method of finance by forming co-operative societies and enforcing joint responsibilities, and when it comes to a bigger affair, it might be possible for Government to advance some money on the method of *takavi* advances.

13610. *Q.* On the principle of *takavi* advances?

A. Yes, with necessary modifications.

13611. *Q.* What is the rate of interest charged on *takavi* advances?

A. I think 6¼ per cent.

13612. *President.*—*Q.* It has been raised in Bombay. Has it been raised here?

A. I think our rate is 6¼ per cent. but I am not sure.

13613. *Sir Maneckjee Dadabhoy.*—*Q.* How would you make these loans repayable, in definite periods and in small instalments or what?

A. In definite small instalments.

13614. *Q.* There would be some difficulty in applying the *takavi* system?

A. Yes.

13615. *Q.* The problem is not free from difficulty?

A. It is full of difficulties.

13616. *Q.* You prefer control to export duties?

A. Yes.

13617. *Q.* Export duties will have the advantage of diverting the trade in natural channels without any artificial impediments which the control has?

A. Certainly. It would eliminate a great deal of popular criticism in comparison.

13618. *Q.* Then as regards direct taxation you say that it has the merit of at least causing intensive production It will have also the rather unpleasant merit of raising the prices, won't it?

A. It might.

13619. *Q.* I understand from your note that though you are in favour of retaining the handloom industry your definite opinion is that it needs no protection in Burma?

A. I don't think so. It is largely subsidiary to agriculture.

13620. *Q.* Here you are speaking of Burma only?

A. Yes.

13621. *Q.* You are not speaking of India?

A. No. But generally speaking so far as the handloom weaving industry is concerned, I don't think it needs any protection.

13622. *Q.* What is that 'peculiar something' which you speak of in your answer to question No. 16?

A. It is a sort of fashion to go in for hand-made things, as for instance homespun tweeds which as you know command a market at home.

13623. *Q.* It is very refreshing to see from your note that an officer of your standing should condemn the excise duty on cotton goods in such unmeasured expressions. It appears to me that you don't even justify this duty from a revenue point of view?

A. I would modify this to this extent that the original object of this particular excise duty has been defeated.

13624. *Q.* Purely as a revenue duty, you don't think that it should be retained?

A. I don't like it.

13625. *Q.* About the export duties I would like to ask you one or two more questions. You don't think that the present export duty on rice has had any injurious effect?

A. Not yet.

13626. *Q.* You think that it is still elastic enough for further expansion?

A. The present duty is Rs. 5 a ton which comes to three annas a maund. I should not care to say for the rice industry that it could stand any more, though I think possibly it would stand a little bit more. The port duties are also rising.

13627. *Q.* The prices are rising too?

A. Yes.

13628. *Q.* Is it capable of further expansion or not?

A. I should not like to say anything definitely.

13629. *Q.* How long have you been in Burma?

A. 26 years, with interruptions in the middle.

13630. *Q.* Would you apply this principle of export duties also to other food-stuffs, to wheat for instance?

A. I don't see why wheat should not bear a duty of Rs. 5 a ton or three annas a maund.

13631. *Q.* You don't think that it will have the effect of depreciating the prices or stopping production, lands being diverted to other purposes?

A. I should not think so.

13632. *Q.* I should like to know something about petroleum from you. At present Burma is part of India and the oil which is imported from Burma into India pays no import duty. What is your opinion about some excise duty on Burma oil or Burma petroleum?

A. I should be very unwilling to express any opinion because as I said before the production of Burma oil is extraordinarily small. The oil market is regulated by much more powerful agencies.

13633. *Q.* Can you tell me the volume of trade?

A. I think that the B. O. C., Indo-Burma and all other Companies produce about 600,000 tons a year.

13634. *Q.* That represents in value an enormous sum?

A. Quite a drop in the bucket when compared with the total world production.

13635. *Q.* You don't think that it can bear a small excise duty?

A. I should not care to suggest one.

13636. *Q.* Have you any reasons for that?

A. That is the general impression I got. A small excise duty would upset the industry with reference to the world's competition. Moreover we get a good deal in the shape of royalty.

13637. *Q.* You mean that Government gets back a large sum in the shape of royalty?

A. Yes, also in the shape of income-tax.

13638. *Q.* That is the main reason why you don't recommend a small excise duty?

A. That is my position.

13639. *Q.* Would a small duty have the effect of raising the price of petrol in India?

A. It would certainly.

13640. *Q.* Do you think that oil is one of the necessaries of life?

A. I think it is for a large class of the communities.

13641. *Sir Montagu Webb.*—*Q.* I understood you to say that you did not believe that an export duty of Rs. 5 a ton on wheat would interfere with the production of wheat We were told in Lahore that about 3 annas a maund was all the difference in price between Indian wheat and the wheat of other countries; in other words they would object to this duty?

A. Of course I would rather leave this question to the decision of the Punjab Government. We don't bother about wheat here.

13642. *Q.* You were talking of course of export duties for revenue purposes?

A. Yes.

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